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PART I.

EASTERN DEPARTMENT:

SECRET SERIES.

36

January to March 1911.

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CONFIDENTIAL

Eastern Department: Secret Series.

PART I.

[1]

No. 1.

Sir G. Buchanan to Sir Edward Grey.—(Received January 1.)

(No. 1.)

(Telegraphic.) P.

St. Petersburg, January 1, 1911.

SCHEME for a railway across Persia. My despatch No. 498 of the 26th December last.

The Russian consul-general at Calcutta has informed M. Sazonow that the Government of India will raise no objections to the trans-Persian railway scheme, and M. Sazonow has expressed to me the great satisfaction which this intelligence has given him.

I am informed in confidence by M. Sazonow that at the recent meeting of the Council of Ministers held to discuss this question, the only Minister who did not speak in favour of the scheme was the Minister of Commerce. He put forward the arguments advanced by the merchants of Moscow against the scheme, but the Minister of Finance refuted them successfully. The whole scheme is now to be submitted to a representative committee, which will include M. Sazonow, and his Excellency expects that in about a month's time he will be in a position to communicate to us the decision of the Russian Government.

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No. 2.

Sir G. Buchanan to Sir Edward Grey.—(Received January 2, 1911.)

(No. 496. Secret.)

Sir,

St. Petersburg, December 26, 1910.

I HAVE in another despatch recorded the bitter language used by the "Novoe Vremya" in speaking of Austria in connection with the Wassitch trial, which has just been concluded at Belgrade.

From the language held to me by the Emperor and from the tone of the Russian press it would appear that, while His Majesty and the Russian Government have forgotten and forgiven the humiliation which Germany inflicted on them during the Balkan crisis of 1908, their feeling of rancour against Austria, and more especially against Count Aehrenthal, shows no sign of abatement. M. Isvolsky has doubtless handed down to his successor a political legacy of profound distrust and dislike of that statesman, and this fact, coupled with the knowledge that the Emperor shares this personal resentment, is likely to prevent M. Sazonow attempting to bring about an Austro-Russian rapprochement so long as the foreign policy of the Dual Monarchy is controlled by Count Aehrenthal. Were the latter to disappear from the scene the case might be different, as his retirement would give satisfaction to Russia's wounded vanity.

Germany, on the other hand, has also reasons of her own for wishing to see

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B

a more pliable and subservient Minister installed at the Ballplatz, and from the Chancellor's recent declarations on German policy in the Near East and from the violent articles published in the Russian press, it would almost seem that the two Governments had agreed to open a campaign against his Excellency for the purpose of discrediting him and encompassing his fall. Should these efforts be crowned with success, the way would be prepared for supplementing the Russo-German agreement respecting Persia and the Bagdad Railway by some kind of an understanding between Austria and Russia with regard to the Balkans. Were this latter to take the form which M. Isvolsky desired to give to the abortive conversations which took place between St. Petersburg and Vienna last spring, and were the other Powers consequently to be invited to subscribe to its provisions, it might serve as a useful instrument for the maintenance of peace in the Near East. Were it, however, as is not impossible, to be in the nature of a secret agreement between the two Cabinets, of which Germany, as Austria's ally, would alone have cognisance, it might seriously affect the value of the Triple *Entente* as a counterpoise to Austro-German ascendancy in Europe.

At the present moment both the Emperor and his Government are, I believe, sincerely anxious to adhere loyally to their alliance with France and to their understanding with England; but the course which the present negotiations with Germany have taken leads me to fear that when it is a question of securing satisfaction for some particular or immediate interest Russia may drift dangerously far into German waters. Nor must it be forgotten that the reactionary party in Russia inclines much more towards Germany than towards England, while there are not wanting those who are in favour of being on the side of the big battalions.

M. Sazonow's desire to prevent Germany poaching in the Russian preserves in North Persia accounts for the haste with which he has made proposals respecting Persia and the Bagdad Railway without consulting our views or wishes. He was, it is true, not bound to do so by the terms of the Anglo-Russian agreement, but he has none the less laid himself open to the reproach of not having observed the spirit of the tacit understanding, according to which no arrangement was to be concluded with Germany respecting the Bagdad Railway by any one of the parties to the Triple *Entente* until the other two had also come to terms with her. The temptation to secure favourable conditions with regard to North Persia was too strong for him, and he either drafted or accepted the text of the 1st article of the draft agreement without reflecting on the difficulties which it might occasion in the future. As an instance of his rather careless habit of doing business I may mention that, though I informed him the day before my audience with the Emperor of the general purport of the language which I proposed to hold to His Majesty, he never told me till afterwards that he had not yet submitted the draft agreement to His Majesty. I was naturally, therefore, under the impression that such an important State document could not have been submitted to the German Government without the Emperor's express sanction. Fortunately, however, I did not make any reference to it in the course of my conversation with His Majesty; but had I unwittingly done so it would have been interesting to have heard what the Emperor would have said on learning that I was better acquainted than himself with the details of the secret negotiations which his Foreign Minister was conducting with the German Government.

I have, &c.

GEORGE W. BUCHANAN.

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No. 3.

Sir G. Buchanan to Sir Edward Grey, (Received January 2, 1911.)

(No. 497. Secret.)

Sir,

St. Petersburg, December 26, 1910.

IN the course of a conversation which I had with the Minister for Foreign Affairs this afternoon, I reverted to the subject of the draft agreement which he had submitted to the German Government respecting Persia and the Bagdad Railway. I said that his Excellency would no doubt already have learnt from Count Benckendorff that its first article, if read by anyone unacquainted with the explanations which he had given, could only in your opinion imply that Russia was consenting to abandon all opposition to the realisation of the whole Bagdad Railway project, and that the limited construction which he was putting on it gave a quite new interpretation to the recognised

meaning of the term "Bagdad Railway." If, moreover, his Excellency's view as to the meaning of article I was correct, it was difficult to see what advantages Germany would gain under the draft agreement in return for the concessions which she was making to Russia in North Persia. I also repeated to M. Sazonow what you, Sir, had told Count Benckendorff—that, should his Majesty's Government ever find that a satisfactory arrangement could be made with Germany respecting the Gulf section, they would not confirm it until Russia and France had been able to make such arrangements with Germany as suited their respective interests, and that, although negotiations might proceed separately, no settlement ought to be arrived at until all three Governments were satisfied.

M. Sazonow did not take up this last point except to explain that he had been obliged to telegraph to Count Benckendorff, instructing him to correct the statement which his Excellency had made to you as to the agreement respecting the linking up of the two railway systems being contingent on the conclusion by His Majesty's Government of a satisfactory understanding with Germany respecting the Gulf section. As regarded, however, the wording of article I, he assured me that it had never struck him that it could bear any other interpretation than that which he had intended to give to it, and that, had he not thought so, he would certainly have worded it differently. On my enquiring whether he proposed to obtain from the German Government an assurance in writing that the right to construct the line from Sadijeh to Khanikin should be ceded to Russia in the event of Great Britain obtaining the control over the Gulf section, M. Sazonow said that he had no such intention. During the discussions which had taken place at Berlin the two questions of the Bagdad Railway—by which he meant the railway up to Bagdad—and the whole Bagdad railway system had been treated separately. Russia had engaged not to oppose the realisation of the railway up to Bagdad, and had consented to the linking up of this railway with the future North Persian railway system by a line running from Sadijeh to Khanikin, because she was powerless to prevent the realisation of either of these two schemes. Before the Potsdam interview the relations between the two Governments had been very strained, and he had lived in daily dread of receiving the news that Germany had obtained from the Persian Government the concession for the Khanikin-Tehran line. The counter-concessions which he had extracted from Germany were of the greatest importance to Russia; while the engagements which the latter had taken would be a moral satisfaction to German public opinion, and would give German trade an access to the Persian markets. Great Britain had nothing whatever to fear from the terms of the first article. The position of the Russian Government with regard to any lines running from Bagdad either to the Gulf or to the Mediterranean would be exactly the same as it was before that article had been drafted. As he had told me already, he did not for one moment believe that Germany could ever construct a line to the Gulf without our assistance; but if the worst came to the worst, and Russia had to give us her support, the only result would be a possible "row" between the Russian and the German Governments.

I observed that even in my own small experience I had seen cases where considerable complications had ensued in consequence of a treaty being so loosely worded that either party to it could interpret it in the sense most favourable to its interests. I understood from what he had told me at our first interview that he expected that the German Government would not accept the draft agreement as it stood. If, therefore, they had the right to introduce amendments into it, I could not see why the Russian Government was debarred from altering the text of the first article so as to leave no doubt as to its meaning, more especially as his Excellency had already clearly explained to them what was meant by the term "Bagdad Railway." M. Sazonow first contended that it was now too late to do this, but on my pressing the point later on in our conversation his Excellency promised to see whether he could get the words "jusqu'à" inserted before Bagdad. He did not, however, take any positive engagement to this effect, and the fulfilment of his promise will no doubt depend on the reception which may be accorded to such a suggestion at Berlin.

His Excellency has so far received no communication from the German Government on the subject of the draft agreement.

I have, &c.

GEORGE W. BUCHANAN.

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No. 4.

Sir G. Buchanan to Sir Edward Grey.—(Received January 2.)(No. 498.)
Sir,*St. Petersburg, December 26, 1910.*

ON my entering M. Sazonow's reception-room this afternoon M. Timiriazeff was just leaving it, and his Excellency informed me that he had come to report to him the results of his visit to London with regard to the trans-Persian railway scheme.

M. Timiriazeff had, M. Sazonow said, been very well satisfied with the conversations which he had with various leading politicians and financiers. He had gathered, however, that it was desired in England that the company should be a purely Anglo-Russian one, and that the projected railway should not pass through Tehran, for fear lest the Bagdad Railway should eventually be linked with it when the Sadijeh-Khanikin and the Khanikin-Tehran lines had been built. As regarded the first of these two points, M. Sazonow remarked that it would, he thought, be almost impossible to prevent the participation of the French in the enterprise, and that it would be very difficult to obtain the necessary concession from the Persian Government were a proposal to be put forward that the British and Russian Governments should have the control of the railway in their respective spheres of influence in Persia. The Persian Government would at once suspect that the two Governments were planning a sort of *condominium* in Persia, and would cite the case of Manchuria, where the railway was controlled by Russia in the north and by Japan in the south.

I told his Excellency that I had no official information as to the views of His Majesty's Government with regard to the details of the scheme, but I repeated to him the language which you had held to Count Benckendorff, as reported in your despatch No. 314, Secret, of the 15th instant, respecting its strategical bearings and the possible danger of its serving as a means of transport for Turkish troops to the Indian frontier.

M. Sazonow replied that he quite understood the reasons which might lead public opinion in India to view the project with an unfavourable eye, but that he could not see that there were any possible grounds for fearing the second contingency to which you had drawn attention. Even when the Sadijeh-Khanikin and the Khanikin-Tehran railways were built, it would be impossible for the Turks to use the latter line for such a purpose, as it would be virtually under Russian control, while an international railway like the trans-Persian one would be equally closed to them. If, however, His Majesty's Government desired, for either strategical or economical reasons, that the railway should not touch Tehran, it would be always possible to arrange that it should run to the north of that town, though this, again, might lead to difficulties with the Persian Government, who would naturally wish that the railway should pass through the capital. But in whatever way this question might be settled, it was, in his opinion, essential that the railway should be built with the least possible delay, as, were it once in working order, it was quite possible that the Sadijeh-Khanikin-Tehran lines might never be constructed.

On my observing that there seemed to be considerable opposition to the project in certain quarters in Russia, M. Sazonow said that this was quite true. The Moscow merchants wished to keep the trade in North Persia in their own hands, and were afraid of German competition, but, owing to the dues imposed on goods passing in transit through the Caucasus, German trade with Persia by this route would always be heavily handicapped. Germany had made repeated representations on the subject of these dues, but the Russian Government had no intention of making any concessions with regard to them. They would therefore continue to be enforced on all goods destined for the Persian market, but not on those passing in transit to India. His Excellency admitted, however, that owing to the existence of these dues the Germans would naturally endeavour to introduce their goods into Persia by way of Bagdad; and this fact somewhat weakens his argument that, were the trans-Persian railway to be constructed without delay, the Germans might have to renounce the idea of linking the Bagdad Railway with the North Persian railway system.

I have, &c.

GEORGE W. BUCHANAN.

P.S.—The Minister of Finance, whom I have seen since writing the above, tells me that the trans-Persian railway scheme is to come before the Council of Ministers

this week. His Excellency expressed himself strongly in its favour. He spoke slightly of the opposition raised by the Moscow merchants, and said that their fears that the proposed railway would threaten their hold on the Persian market by facilitating the importation of German goods were groundless. His Excellency added that the real danger of German competition in Persia lay on the side of the Bagdad Railway.

G. W. B.

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No. 5.

Mr. Marling to Sir Edward Grey.—(Received January 2, 1911.)

(No. 931.)

Sir,

Constantinople, December 28, 1910.

I HAVE the honour to forward herewith a despatch from the military attaché to this embassy, reporting a conversation with Herr Kautz regarding the alteration of the *tracé* of the Bagdad Railway line so as to pass through Aleppo.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 5.

Major Tyrrell to Mr. Marling.

(No. 74.)

Sir,

Constantinople, December 25, 1910.

I HAVE the honour to inform you that I had a conversation to-day with Herr Kautz, the sub-director of the Bagdad Railway Company. He confirmed the news of a new *tracé* via Aleppo, the intention now being to make a sort of V to bring in that town, thereby missing out Tel Habesh, but rejoining the original *tracé* east of that as soon as possible. He considers it a foolish procedure, and of no advantage to anybody, as the inhabitants of Aleppo would have been just as well off if connected to the main line by a branch to Tel Habesh as was intended. But he said that the company had reluctantly yielded to pressure exercised through the Government by the clamours of the people of Aleppo, who desired to be on the main line.

The station will be outside the town, and somewhere to the north of it.

He further said that no alteration has recently been made in the *tracé* about Adana, and that the line will join the Mersina-Tarsus line at Yenije, between which place and Adana the trains of the Bagdad Railway will run over the existing Mersina-Tarsus-Adana line.

I have, &c.

G. E. TYRRELL,
Military Attaché.

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No. 6.

India Office to Foreign Office.—(Received January 3.)

A PARAPHRASE of a telegram to the Viceroy, dated the 16th December, 1910 of which a decypher was sent to the Foreign Office on the 19th December, 1910, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 2, 1911.

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Enclosure in No. 6.

The Earl of Crewe to Government of India.

(Telegraphic.) P.

India Office, December 16, 1910.

RAILWAY across Persia. Please refer to my despatch dated the 4th ultimo. Russian Government are desirous that there should be no unnecessary delay in discussion of the subject. Please let me have an early reply by mail, giving full expression of Government of India's views.

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No. 7.

Sir F. Cartwright to Sir Edward Grey.—(Received January 4.)

(No. 4.)

(Telegraphic.) P.

Vienna, January 4, 1911.

GERMANY and Russia.

I have received information from a most confidential source to the following effect:—

A short time before the Potsdam meeting Count Aehrenthal was notified by the German Government of the principal points to be discussed with M. Sazonow at that meeting. Allusion was made at the close of that discussion to the affairs of the Balkans, and the general belief here at the Ballplatz (according to my informant) is that Herr von Kinderlen-Waechter, while reassuring M. Sazonow in regard to the peaceful intentions of Austria-Hungary in the Balkans, also declared that, if (as was improbable) the latter Power should show a wish to disturb the *status quo* in the Near East, she would be held back by Germany.

The above is most confidential.

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No. 8.

Sir H. Babington Smith to Sir A. Nicolson.—(Received January 6, 1911.)

Dear Sir Arthur,

Constantinople, December 30, 1910.

I HAVE to thank you for your letter of the 10th December, in which you told me that M. Pichon is being reminded of the suggestion that proposals for co-operation should now come from the French side, and that Sir Edward Grey does not now deprecate our taking such independent action as our interests may require.

We readily comply with his wish that we should keep the door open for any French proposals; but so far there are no indications that they wish to make any. M. Révoil arrived here on the 20th December. We exchanged calls, and I had a fairly long conversation with him.

In the course of the conversation he mentioned the subject of the loan. I said that I did not think that the result could be regarded as satisfactory by any of the parties concerned. He admitted this to some extent, but said it was, in his opinion, not a bad thing that the Germans should have their share in bearing the burden of Turkish finance. I replied that they were already largely interested, and that there was no risk of indifference on their part to Turkey's future. M. Révoil then said that the present operation would provide for Turkish needs till the end of 1911, but probably not for any longer period. He was optimistic as regards the financial future of Turkey in general.

I expressed my regret at the breakdown of the negotiations for fusion. M. Révoil said that he thought there had been some misunderstanding. The London committee had expected us to make further proposals, and we had apparently waited for fresh proposals from them. I said that, even if there had been some slight misunderstanding as regards procedure, that did not alter the main fact, viz., that we found them prepared to contemplate absorption, but not in the least inclined to anything in the nature of fusion. M. Révoil did not dissent from this, nor did he show any indications of wishing to reopen the matter.

I said that I had regretted to find M. Bompard under the impression that we had carried on "une concurrence désobligeante" against the Ottoman Bank. I said that I had endeavoured to remove this impression from M. Bompard's mind, and had assured him that our competition with the Ottoman Bank was such a fair competition as

necessarily existed between banks working in the same place, and was not different in character from the competition which existed between all banks here. M. Révoil said that he thought the impression had probably been created by what he might describe as external causes, viz., that friends of the National Bank in the Ministry and elsewhere had wished to use the National Bank as a weapon against the Ottoman Bank. He added that, without suggesting anything in the nature of a coalition between the banks, he thought that they had a certain solidarity of interest in their relations to the Government. He expressed the hope that the relations between the two banks, so far as we personally were concerned, would be excellent—a wish, which, of course, I reciprocated.

You will see from this summary of our conversation, that M. Révoil's tone was friendly, but that he did not make any suggestion for settling the future relations of the banks. I have heard a report, which I give for what it is worth, that the idea of the Ottoman Bank is to arrange for a large loan which will carry on Turkish finance for more than one year, and in which Paris, Berlin, and London would take part. You will remember the suggestion of a larger loan was said to have been made by the Ottoman Bank at the time when I was in Paris. There is nothing improbable in the report, but I have had no confirmation of it.

It is clearly necessary to arrive at a decision soon about the future of the bank, for the present position of uncertainty is most inconvenient. Cassel has suggested that I should come to London to take part in the final discussions, and I propose to arrive on or about the 9th January.

In order to have all the materials for a decision, I am now endeavouring to obtain from the Government here a clear indication as to their attitude towards the bank, and of the prospects which they can hold out of effective support from the Government in the future. I saw the Grand Vizier yesterday, and I enclose a memorandum of our conversation. As you will see, he did not go beyond expressions of general good-will and assurances that the field was open as regards enterprises of every kind. I shall see Djavid Bey to-morrow, and I propose to press him more closely as to whether any promise can be given of current Government business.

Yours sincerely,

H. BABINGTON SMITH.

Enclosure in No. 8.

Memorandum of Interview with Hakki Pasha, Grand Vizier, on December 29, 1910.

I INFORMED Hakki Pasha that I was leaving for London in a few days, and that it would be necessary to arrive at a decision regarding the future of the National Bank. As he was aware, recent events had raised grave doubts as to whether the bank could, with advantage, continue its operations. The decision of this question would depend, in great measure, upon the prospect of obtaining active and practical support from the Government. The bank would never have been started, unless the invitation of the Ottoman Government and the attitude of the British Government had given it expectation of support from both.

Hakki Pasha said that in England there appeared to be a mistaken idea that, because a concession had been given for the Bagdad Railway, the ground was entirely occupied, and there was no room for any other enterprises in Turkey. This, he said, was a complete mistake. The Bagdad Railway was an existing concession. If it were to be given again, it would very likely be arranged in a different fashion; but anyhow, there it was, and it could not be revoked. But the Turkish Empire was large, and there was room for very many other enterprises, which were open not only to German capital, but to British capital; and British capital would be heartily welcomed.

I said that I did not think that this erroneous view was held by anyone who was well informed. It was undoubtedly true that the Bagdad question had assumed great importance in the relations between England, Turkey, and Germany, both in itself and also in relation to the position in Mesopotamia and the Persian Gulf generally. If the Bagdad question could be settled in a satisfactory manner, I was convinced that it would have an admirable effect on the relations of the three countries.

Hakki Pasha said that the question of Koweit was at the root of the Turkish feeling about British action in that part of the world. On this subject he spoke strongly. He said that he regarded it as beyond doubt that British action in relation to Koweit had been unjust. Under British protection, although there was not a

protectorate in the technical sense of the word, Koweit was the centre of the contraband arms traffic, and a source of continual conflict with its neighbours. So long as this anomalous state of affairs existed, it was impossible to restore peace and order in that part of the world. Koweit was like a thorn stuck in the side of Turkey; and it was British action there, more than anywhere else, that had created suspicions of British aims in Mesopotamia.

I said that I was not acquainted with the details of the question; but whatever the rights or wrongs of the matter, his Highness knew perfectly well that British action regarding Koweit was not directed against Turkey, but against the possibility of Koweit falling into other hands. The Grand Vizier said that he quite realised this, but that, practically, the action taken by way of defence against another Power operated as against Turkey. It was not in any way Turkey's interest or desire to permit any other Power to establish itself there. Even under the old régime, Abdul Hamid had not permitted the Germans to acquire a coaling station in the Red Sea. The new régime would be even more strongly opposed to any such acquisition. If there were any doubt as to this, Turkey would be willing to take formal engagements as to the use of Koweit as a naval station. He said that, in his opinion, the matter was one that ought to be capable of settlement, if there was good-will on both sides; but he complained that he had been unable to obtain a frank and full discussion of the question, which was the first condition of an understanding.

I said that the matter was not one in which I was entitled to express an opinion, but that I saw, with great regret, the extreme sensitiveness of Turkish opinion as regards the most innocent and legitimate activities of British shipping and commerce in the Gulf. I referred to a recent article by Ismail Hakki Babanzadé, in which the presence of British shipping at Bussorah, and the extent of British trade there were treated as matters of offence, and indications of sinister intentions; whereas it was clearly essential to the prosperity of the country to welcome all the shipping and trade that would come, whatever the nationality.

Hakki Pasha replied that articles in the press must not be taken too seriously. Ismail Hakki Babanzadé had just returned from Bagdad and Bassorah; and what had produced more impression on him than anything else was the question of Koweit.

The Grand Vizier then returned to the question of the Bagdad Railway. He said that the Germans must be allowed to complete the line to Bagdad, but that he quite recognised that beyond Bagdad it was necessary to find some arrangement which would satisfy England. What precise solution was to be preferred he could not say. The Germans had certain *droits acquis*, and clearly any arrangement must be a matter for negotiation, and it was for the interests concerned to formulate proposals. The Turkish Government would be very anxious to arrive at a settlement, and would be prepared to bring pressure on the Germans with this object. One solution would be to make the line south of Bagdad an international one; another solution would be that it should be a Turkish Government line, a suitable arrangement being made with the interests concerned for providing the capital.

As regards the position of Turkey generally, he said emphatically that, in his view, it was most undesirable to give any one Power an exclusive or preponderant influence in Turkish affairs. He wished to remain on good terms with all the world, and the interests of Turkey lay in securing the assistance of all the Powers equally for her development.

I then spoke again of the position of the bank. I said that so far the bank had received no practical evidence of the Government's desire to support it. No Government accounts had been given to us, and the only semi-official account we had was that of the "Commission de la Flotte." The Constantinople loan had only been arranged after competition with other banks, and after a struggle lasting over several months. I asked whether he could give me any assurances of practical support in the future, which I could lay before our friends in London. Hakki Pasha said that, as regards Government accounts, their hands were tied to a very considerable extent by the terms of the concession of the Ottoman Bank. The Constantinople municipal loan had produced profit sufficient to cover the expenses of the bank for one year at any rate. If the bank had been able to conclude the loan recently under discussion, the profits would have provided for the bank for two or three years at least. Unfortunately, this had been prevented by the action of the British Government, which, he said, speaking quite unofficially, he could only describe as a blunder. If the British Government did not interpose any bar in future, the National Bank would be able to take part in Government loans, either in co-operation with the Ottoman Bank, or in competition with it. Apart from that, he repeated that the whole of Turkey was open

to foreign enterprise, and that foreign capital would be welcomed. If British capital would come to take part in the development of the country, there would be a profitable field for the bank's energies. He regretted that British capital had taken so little interest in Turkey in recent years, and thought that both the press and commercial circles were not well informed. He referred in this connection to the Mining Law, in the amendment of which the British Government had taken a great interest. The law had been amended, but in the two years which had elapsed since then there had not, so far as he was aware, been a single British application for a mining concession.

I replied that British capital had had very good reasons for avoiding the country under the old régime, and in order to persuade it to come here now it was necessary to offer adequate inducements and to create the conditions necessary for success. In the case of mines, for instance, the absence of roads and railways made all mines, except the richest, unremunerative. This accounted for the absence of applicants. As regards works of public utility, we found, unfortunately, a certain want of practical sense in the Public Works Department. With the object of securing advantages to the State, concessions were hedged round with impossible conditions. It would be to the real interest of the Government to grant the first concessions on terms which would make them thoroughly remunerative, whereas the conditions now laid down were such that there could not be a large profit, and that there might very likely be no profit at all.

Hakki Pasha admitted that there was truth in what I said, but added that, in his opinion, this difficulty would disappear in time. At the outset of a parliamentary régime there was a tendency to criticise everything. In the endeavour to avert such criticism, the conditions had, perhaps, been drawn too tightly. Experience would remedy these defects.

I asked the Grand Vizier whether they proposed to approve the Bagdad municipal loan. He said that he had been somewhat disappointed as regards the administrative capacities of Nazim Pasha, and that they had doubted whether the money would be satisfactorily spent, if it were granted. He thought, however, that they would come to the decision to support Nazim Pasha still, and in that case they would approve the loan. I represented that it was very desirable to decide the matter as soon as possible, since my letter to Nazim Pasha, resuming our liberty of action in the matter, had probably reached him, or would reach him in a day or two. I added that it might have some influence as regards the future of the bank, if I could point to one business at any rate, though not a large one, which had been concluded. Hakki Pasha said that he would endeavour to hasten the decision.

H. BABINGTON SMITH.

December 29, 1910.

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No. 9.

Sir H. Babington Smith to Sir A. Nicolson.—(Received January 6, 1911.)

Banque nationale de Turquie, Constantinople,
December 30, 1910.

(Extract.)

I SAW the Grand Vizier yesterday, and I enclose a memorandum of our conversation.

Hakki Pasha, in the course of our conversation, dwelt a good deal on the Bagdad question and on the situation in Mesopotamia and the Persian Gulf. He stated distinctly that he thought the railway on its present footing must be made as far as Bagdad. This is significant in connection with the reports which are current, that negotiations have been begun for the early construction of the line between Helif and Bagdad, and also in connection with the paragraphs in Djavid Bey's budget statement, in which he refers to the Bagdad question, and points out that in five years' time, the earliest date at which the line could be completed, the surplus of the debt revenues will probably have increased sufficiently to provide the guarantee as far as Bagdad, and that the Germans, therefore, will lose nothing by abandoning their lien upon the proceeds of the increased customs duties. The Grand Vizier also stated distinctly that it would be necessary to arrive at some arrangement satisfactory to England about the section between Bagdad and the Gulf, and expressed his readiness to bring pressure to bear on the Germans, if necessary, in this direction. I do not know whether the

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general political situation as regards Germany makes it any more likely now that they would be prepared to come to terms; but it is evident, in the first place, that we have no means of preventing the German line from reaching Bagdad, and, in the second place, that friction is likely to become more and more acute unless some settlement is reached. Such a settlement would, in itself, improve our relations with the Turks also, and I confess I do not see why we should not at the same time give the Turks some satisfaction regarding Koweit, if we obtain binding engagements regarding its alienation or use as a "port de guerre."

I will not, however, write more on this subject, as I hope I may have the opportunity of seeing you shortly in London.

Enclosure in No. 9.

Memorandum of Interview with Hakki Pasha, Grand Vizier, on December 29, 1910.

I INFORMED Hakki Pasha that I was leaving for London in a few days, and that it would be necessary to arrive at a decision regarding the future of the National Bank. As he was aware, recent events had raised grave doubts as to whether the bank could with advantage continue its operations. The decision of this question would depend, in great measure, upon the prospect of obtaining active and practical support from the Government. The bank would never have been started unless the invitation of the Ottoman Government and the attitude of the British Government had given it expectation of support from both.

Hakki Pasha said that in England there appeared to be a mistaken idea that, because a concession had been given for the Bagdad Railway, the ground was entirely occupied, and there was no room for any other enterprises in Turkey. This, he said, was a complete mistake. The Bagdad Railway was an existing concession. If it were to be given again, it would very likely be arranged in a different fashion; but, anyhow, there it was, and it could not be revoked. But the Turkish Empire was large, and there was room for very many other enterprises which were open not only to German capital, but to British capital; and British capital would be heartily welcomed.

I said that I did not think that this erroneous view was held by anyone who was well informed. It was undoubtedly true that the Bagdad question had assumed great importance in the relations between England, Turkey, and Germany, both in itself and also in relation to the position in Mesopotamia and the Persian Gulf generally. If the Bagdad question could be settled in a satisfactory manner, I was convinced that it would have an admirable effect on the relations of the three countries.

Hakki Pasha said that the question of Koweit was at the root of the Turkish feeling about British action in that part of the world. On this subject he spoke strongly. He said that he regarded it as beyond doubt that British action in relation to Koweit had been unjust. Under British protection, although there was not a protectorate in the technical sense of the word, Koweit was the centre of the contraband arms traffic, and a source of continual conflict with its neighbours. So long as this anomalous state of affairs existed, it was impossible to restore peace and order in that part of the world. Koweit was like a thorn stuck in the side of Turkey; and it was British action there more than anywhere else that had created suspicions of British aims in Mesopotamia.

I said that I was not acquainted with the details of the question, but whatever the rights or wrongs of the matter, his Highness knew perfectly well that British action regarding Koweit was not directed against Turkey, but against the possibility of Koweit falling into other hands. The Grand Vizier said that he quite realised this, but that practically the action taken by way of defence against another Power operated as against Turkey. It was not in any way Turkey's interest or desire to permit any other Power to establish itself there. Even under the old régime, Abdul Hamid had not permitted the Germans to acquire a coaling station in the Red Sea. The new régime would be even more strongly opposed to any such acquisition. If there were any doubt as to this, Turkey would be willing to take formal engagements as to the use of Koweit as a naval station. He said that, in his opinion, the matter was one that ought to be capable of settlement if there was good-will on both sides; but he complained that he had been unable to obtain a frank and full discussion of the question, which was the first condition of an understanding.

I said that the matter was not one in which I was entitled to express an opinion, but that I saw with great regret the extreme sensitiveness of Turkish opinion as regards the most innocent and legitimate activities of British shipping and commerce in the Gulf. I referred to a recent article by Ismail Hakki Babanzadé, in which the presence of British shipping at Bussorah and the extent of British trade there were treated as matters of offence and indications of sinister intentions; whereas it was clearly essential to the prosperity of the country to welcome all the shipping and trade that could come, whatever the nationality.

Hakki Pasha replied that articles in the press must not be taken too seriously. Ismail Hakki Babanzadé had just returned from Bagdad and Bussorah; and what had produced more impression on him than anything else was the question of Koweit.

The Grand Vizier then returned to the question of the Bagdad Railway. He said that the Germans must be allowed to complete the line to Bagdad, but that he quite recognised that beyond Bagdad it was necessary to find some arrangement which would satisfy England. What precise solution was to be preferred he could not say. The Germans had certain "droits acquis," and clearly any arrangement must be a matter for negotiation; and it was for the interests concerned to formulate proposals. The Turkish Government would be very anxious to arrive at a settlement, and would be prepared to bring pressure on the Germans with this object. One solution would be to make the line south of Bagdad an international one; another solution would be that it should be a Turkish Government line, a suitable arrangement being made with the interests concerned for providing the capital.

As regards the position of Turkey generally, he said emphatically that, in his view, it was most undesirable to give any one Power an exclusive or preponderant influence in Turkish affairs. He wished to remain on good terms with all the world; and the interests of Turkey lay in securing the assistance of all the Powers equally for her development.

* I then spoke again of the position of the bank. I said that so far the bank had received no practical evidence of the Government's desire to support it. No Government accounts had been given to us, and the only semi-official account we had was that of the Commission de la Flotte. The Constantinople loan had only been arranged after competition with other banks, and after a struggle lasting over several months. I asked whether he could give me any assurances of practical support in the future which I could lay before our friends in London. Hakki Pasha said that, as regards Government accounts, their hands were tied to a very considerable extent by the terms of the concession of the Ottoman Bank. The Constantinople municipal loan had produced profit sufficient to cover the expenses of the bank for one year at any rate. If the bank had been able to conclude the loan recently under discussion, the profits would have provided for the bank for two or three years at least. Unfortunately, this had been prevented by the action of the British Government, which, he said, speaking quite unofficially, he could only describe as a blunder. If the British Government did not interpose any bar in future the National Bank would be able to take part in Government loans, either in co-operation with the Ottoman Bank or in competition with it. Apart from that, he repeated that the whole of Turkey was open to foreign enterprise, and that foreign capital would be welcomed. If British capital would come to take part in the development of the country, there would be a profitable field for the bank's energies. He regretted that British capital had taken so little interest in Turkey in recent years, and thought that both the press and commercial circles were not well-informed. He referred in this connection to the mining law, in the amendment of which the British Government had taken a great interest. The law had been amended, but in the two years which had elapsed since then there had not, so far as he was aware, been a single British application for a mining concession.

I replied that British capital had had very good reasons for avoiding the country under the old régime; and in order to persuade it to come here now it was necessary to offer adequate inducements, and to create the conditions necessary for success. In the case of mines, for instance, the absence of roads and railways made all mines, except the richest, unremunerative. This accounted for the absence of applicants. As regards works of public utility we found, unfortunately, a certain want of practical sense in the Public Works Department. With the object of securing advantages to the State concessions were hedged round with impossible conditions. It would be to the real interest of the Government to grant the first concessions on terms which would make them thoroughly remunerative; whereas the conditions now laid down were such that there could not be a large profit, and that there might very likely be no profit at all.

Hakki Pasha admitted that there was truth in what I said, but added that, in his own opinion, this difficulty would disappear in time. At the outset of a parliamentary régime, there was a tendency to criticise everything. In the endeavour to avert such criticism, the conditions had perhaps been drawn too tightly. Experience would remedy these defects.

I asked the Grand Vizier whether they proposed to approve the Bagdad municipal loan. He said that he had been somewhat disappointed as regards the administrative capacities of Nazim Pasha, and that they had doubted whether the money would be satisfactorily spent if it were granted. He thought, however, that they would come to the decision to support Nazim Pasha still, and in that case they would approve the loan. I represented that it was very desirable to decide the matter as soon as possible, since my letter to Nazim Pasha, resuming our liberty of action in the matter, had probably reached him, or would reach him in a day or two. I added that it might have some influence as regard the future of the banks if I could point to one business, at any rate, though not a large one, which had been concluded. Hakki Pasha said that he would endeavour to hasten the decision.

H. BABINGTON SMITH.

December 29, 1910.

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No. 10.

India Office to Foreign Office.—(Received January 6.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and, by direction of the Earl of Crewe, forwards herewith, for the information of the Secretary of State, copy of a telegram to the Viceroy, dated the 30th December, relative to the Trans-Persian Railway.

India Office, January 5, 1911.

Enclosure in No. 10.

The Earl of Crewe to Government of India.

(Telegraphic.) P.

India Office, December 30, 1910.

RAILWAY across Persia. Tehran-Ispahan-Yezd-Kerman alignment is now favoured by Russian promoters, but with a view to "avoiding the possible risk of intersection at Ispahan with eventual German line," the Russian Government prefer the alignment from Tehran south-east to Kerman. A prospect not hitherto contemplated by us is opened up by the words quoted as to German line. The proposal is that British and Russian interests should predominate, their participation being in equal shares; a settlement to be made by arrangement as to the participation of other nationals.

The following is most secret:—

The German and Russian Governments are negotiating an agreement in which it is provided—

1. That Bagdad Railway will not be opposed by Russia.
2. That Tehran and Khanikin will be linked up by Russia after the construction of the lines from Konia to Bagdad, and from Sadiya to Khanikin, and of the North Persian line.
3. That between Bagdad Railway and Persian frontier north of Khanikin no lines will be built by Germany.
4. Special interests of Russia in the north are recognised by Germany, who will seek no concessions in Russian sphere for roads, railways, telegraphs, or navigation.

First clause is understood by Russia, though this is not explicitly stated, to refer only to railway as far as Bagdad, and not to hinder Russia from supporting Great Britain in respect of section to the Gulf. Right to construct branch from Sadiya to Khanikin was claimed by Russian Minister for Foreign Affairs in conversation, with the apparent acquiescence of the German Chancellor. As regards question whether construction of North Persian line in near future is or is not intended by Russia, considerable obscurity exists.

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No. 11.

Extract from the "Evening Times" of January 6.—(Received January 7, 1911.)

RUSSIA'S DEAL WITH GERMANY: FULL OFFICIAL TEXT OF THE NEW PROPOSAL.

Future of Persia.

Turkey gives Special Rewards for the Recent Loan.

OUR St. Petersburg correspondent sends us to-day one of the most important and interesting messages which has been published for a long time—it is the official text of the Russian proposal to Germany with regard to Persia.

This agreement, which was arrived at at a recent conference at Potsdam between the Russian and German Foreign Ministers, puts in an official form Germany's attitude with regard to that country; it also indicates that Russia at last accepts German railway predominance in Turkey in Asia, and, unless there are important secret reserves, shows that Russia has thrown over her allies in the Triple Entente—Great Britain and France—for it has been always understood that if the Czar's Government made any deal with Germany on the subject it would only do so—

1. If Great Britain was conceded the right of building the railway from Bagdad to the Persian Gulf; and

2. If France secured the right to build a line from Homs, the terminus of the French line in Palestine to Bagdad, thus joining up Mesopotamia and the Mediterranean.

Germany has, moreover, secured very important concessions from Turkey for arranging the last loan.

Here is the message:—

[From our Own Correspondent.]

St. Petersburg, January 5, 1911.

I am now able to send the exact official text of the proposal put forward by Russia to Germany with regard to Persia.

(1.)

The Imperial Russian Government declares itself willing not to oppose the realisation of the Bagdad Railway, and undertakes not to place any obstacle in the way of the participation of foreign capital in the undertaking. It is, of course, understood that no sacrifice of a pecuniary or economic nature will be demanded on the part of Russia.

(2.)

In order to meet the wish of the German Government to connect the Bagdad Railway with the future system of railways in Persia, the Russian Government undertakes to carry out, when this system shall have been constructed, the building of a line to join on the Turco-Persian frontier, the line from Sadije to Khanikin, when this branch of the Bagdad Railway, as well as the line from Konia to Bagdad, shall have been finished. The Russian Government reserves the right to fix, at its own choice of time, the final route of the line which shall end and join up at Khanikin.

The two Governments will facilitate international traffic on the latter line, and shall avoid all measures which might hinder it, such as the establishment of transit rights or the application of differential treatment.

(3.)

The German Government undertakes on its own part not to construct any railway lines in the zone situate between the Bagdad line and the Russian and Persian frontier to the north of Khanikin, nor to lend its material or diplomatic support to any undertakings of the kind in the zone indicated.

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The German Government puts on record that it has no political interests in Persia, and will only pursue commercial aims there, recognising, on the other hand, that Russia has special interests in the north of Persia from the political, strategic, and economic points of view. The German Government likewise declares that it has no intention of seeking on its own account, or of supporting on behalf of any one amenable to its jurisdiction, or of subjects of other nations, any concessions for railways, roads, navigation, and telegraphs, or any other concessions of a territorial nature to the north of a line starting from Kasri-Chirin, passing by Ispahan, Jezd, and Khakh, and ending at the Afghan frontier at the latitude of Ghasik. If the German Government should seek such concessions, it would first come to an understanding with the Russian Government.

On the other hand, the Imperial Russian Government will continue to recognise, with regard to German commerce in Persia, the principle of absolute equality of treatment.

The above document is now under consideration by Germany, which may put forward a counter-proposal, although in any case this is not expected seriously to modify the above proposals. In official Russian circles it is held that the document is really Russia's reply to proposals put forward by Germany to the Russian Government in July 1907. It seems that the German Foreign Minister has informed the Russian Foreign Office that Germany is quite confident of securing all the resources necessary for the completion of the line as far as Bagdad, and he claims, moreover, to have the support of French capital. This is substantially correct, for although the stock is not negotiable in France, the Ottoman Bank certainly has subscribed 30 per cent. of the capital of the company, and has sold some of its holdings to French capitalists, while the company also possesses a French vice-president and seven French administrators.

Moreover, on the conclusion of the recent Turkish loan the Bagdad Railway Company has secured the following extra privileges from the Turkish Government:—

1. The concession of a branch line from Eregli to Angora.
2. The modification of the first route of the line which now, instead of being constructed straight towards Tel-el-Habesch, will bend to the south towards Aleppo to a point 14 kilom. from that city.
3. The concession of a narrow gauge railway between Aleppo and Alexandretta.
4. The acceptance by Turkey of the German contention according to which the excess of tithes already allocated to the guarantee of other Turkish railways will in future be assigned not only to the section of the Bagdad line as stipulated in the contract dated the 2nd June, 1908, viz., from Bulgurlu to El Helif, but to the entirety of the railway from Koniah to Bagdad.

Great stress should be laid on the latter point, because Great Britain has always strenuously objected to the excess being so employed. The Germans have now, however, seemingly carried their point, and Russia has apparently agreed by undertaking "not to place any obstacles in the way of the participation of foreign capital in the undertaking."

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No. 12.

Mr. Marling to Sir Edward Grey.—(Received January 9.)

(No. 14. Secret.)

Sir,

Pera, January 4, 1911.

SIR HENRY BABINGTON SMITH has been so good as to give me a memorandum (copy enclosed*) of an interview which he had with the Grand Vizier on the 29th ultimo, with the object of enquiring what prospects the Government could hold out of putting business in the way of the National Bank so as to warrant it in continuing to operate in Turkey. Sir Henry has forwarded to Sir Arthur Nicolson a copy of this memorandum, and will no doubt have commented on the Grand Vizier's reply on which I need not therefore dwell, but the point to which I venture now to invite your attention is his Highness's reference to Koweit.

* Already printed: see [636] and [637]: Nos. 8 and 9.

What brought the matter to Hakki Pasha's mind was no doubt Sir Henry's allusion to Ismail Hakki Babanzade's recently published reports on Mesopotamia and the neighbouring regions, and more particularly the violent article from his pen which appeared in the "Tanin" of the 28th December, and which was specially devoted to British action in Koweit and British relations with the Sheikh of Mohammerah (see my despatch No. 15 of to-day). Hakki Pasha had, however, just previously spoken of the Bagdad Railway, and, after his mention of Koweit, again reverted to it, so that it may be inferred that the Grand Vizier for the moment had, as was suggested in Sir Gerard Lowther's despatch No. 603 of the 29th August last, like the Young Turks, conceived the idea of making the solution of the two questions interdependent.

Be that as it may, it seems probable that the question of Koweit will be raised at no distant date, if indeed it is not, as Ismail Hakki counsels, forced upon us. This latter contingency is, I think, unlikely; but I venture to suggest that it might be well for His Majesty's Government to consider whether in the event of the Porte inviting us to discuss the Koweit question it will be more expedient to enter into pourparlers or to postpone negotiations for some little time. Looking at the present aggressive attitude of the Committee of Union and Progress, which, as you are aware, is the real power guiding the affairs of Turkey, postponement would seem the wiser course. The defections from the committee's ranks and its dwindling majorities in the Chamber show that its position is less secure now than a few months ago; there are also signs that Mahmoud Shevket Pasha and the senior officers by no means approve the direction given by it to Turkish policy. The lesson learnt by the refusal of the French Government to allow the late loan to be quoted in Paris has had its effect, and that there is a tendency in the committee to modify its chauvinism, at least, temporarily, is shown by the substitution in the secretaryship of the moderate Haji Adil Bey, lately Vali of Adrianople, for the violent Dr. Nazim. Time will, therefore, to all appearances, bring about a change for the better in our favour, but, on the other hand, the causes that are at work may operate slowly, and in the meanwhile articles such as those of Ismail Hakki—not to mention hints which have already appeared in the local press that English intrigues are responsible for the troubles in Kerek—may do us some harm, even in the eyes of those sections of the people who have now no doubts as to the sincerity of our friendship.

Another danger from delay lies in the fact that the Turks desire the Bagdad Railway to be built. It is true that the financial arrangements have only been completed for the construction as far as El Helif, but, as the Grand Vizier implied to Sir Henry Babington Smith, there can be no question but that the money will be found for the annuities for the sections as far as Bagdad. There is even reason to believe that negotiations for the purpose are already on foot, and it is thus probable that although the line cannot actually be built for some years, the Germans may potentially reach Bagdad within a few months, and will be free to turn all their attention and influence to asserting their existing rights under the concession to the Bagdad-Bussorah-Gulf sections. It is not, perhaps, out of place to remark here that by her recent pourparlers with Germany Russia appears inclined to disinterest herself in the southern sections of the railway.

In my despatch No. 942 of the 29th ultimo I expressed the opinion that too much importance need not be attached to the advances made by Rifaat Pasha to us for a renewal of negotiations for a solution of the railway question, but it is quite possible that if that question and that of Koweit were treated together we should find a genuine and effective desire on the part of the Turks to come to an agreement. The prospect of gaining something at Koweit would be a powerful inducement to them to obtain from the Germans the latitude requisite for them to satisfy our requirements in the railway question. It should be remembered that the main object in view when, eleven years ago, we entered into relations with Sheikh Mubarak was to prevent the Bagdad Railway from reaching the shores of the Gulf except under conditions consonant with our interests, and I venture to suggest that it is worth while considering whether the moment is not now approaching when we should endeavour to turn our acquired position at Koweit to account, and whether, if we do not now seize the opportunity, we may not eventually find that we have saddled ourselves with responsibilities towards the sheikh involving us in particularly thorny questions *vis-à-vis* of the Turks, without having reaped any commensurate advantage. Our position as regards the actual terminus of the railway at Koweit may still be secure owing to the agreement of October 1907, but we might now use the leverage offered to us by the Turkish anxiety to settle the Koweit question to secure our interests on the Bagdad-Bussorah sections; whereas if we do not, and if we allow the line to reach Bussorah under purely German control, it appears to me that a very awkward situation might arise.

A great difficulty in seeking a solution of the Koweit question at present will be to find a basis of negotiation. Turkish aspirations will, of course, be satisfied with nothing short of an acknowledgment of Ottoman sovereignty over the sheikh and his dependencies, but we have unfortunately, if I may say so, been led into such intimate relations with him that it would be impossible for us, with the examples of Albania and Macedonia before us, to abandon him to the tender mercies of the Turks.

The loss of reputation to us both in Arabia and Persia would be immense, nor would the native mind be capable of appreciating the importance of the advantages we should have gained in connection with the railway, but would readily credit the Turkish version that we had been compelled to yield to the superior power of the present Government of Turkey. But on the importance of this in relation to our position in the Persian Gulf His Majesty's Government will no doubt take the opinion of the Government of India.

I have, &c.

CHARLES M. MARLING.

[1131]

No. 13.

Sir G. Buchanan to Sir Edward Grey.—(Received January 10.)

(No. 11.)

(Telegraphic.) P.

St. Petersburg, January 10, 1911.

I AM asked by M. Sazonow to tell you how grateful he would be if you could possibly discover and let him know how the "Evening Times" contrived to obtain a copy of the draft Russo-German agreement. The German Government had asked that the original drafting of article 4 should be altered, and, in accordance with their desire, that article now stipulated that before seeking for concessions in the Russian sphere Germany should come to a previous understanding with the Russian Government. This alteration appeared in the version printed in the "Evening Times," and he (M. Sazonow) had drawn the German Ambassador's attention to the fact and pointed out that, as the altered version was known to nobody outside the Russian and German Foreign Offices, not even to the Emperor of Russia himself, the paper must have obtained the text either at St. Petersburg or at Berlin. He had added to Count Pourtales that the text had certainly not been communicated at the Russian capital.

M. Sazonow said that in one or two of the other articles there were a few inaccuracies in the text published by the "Evening Times," but that in other respects it was almost a translation word for word of the original document.

I told M. Sazonow that I felt certain that you would be only too happy to give any assistance in your power, but that I feared that His Majesty's Government had no means at their disposal of discovering the truth. To this M. Sazonow replied with the suggestion that the services of a detective might be employed.

[769]

No. 14.

Sir Edward Grey to Mr. Marling.

(No. 11.)

(Telegraphic.)

Foreign Office, January 11, 1911.

MY despatch No. 107, Secret, of 20th April, 1910.

The "Evening Times" of 6th January states that, in consequence of recent German services in connection with loan, Turkey has granted following privileges to Bagdad Railway Company:—

1. Branch line from Eregli to Angora. (This seems unlikely, as railway communication via Eskişehir already exists, and such a concession might be debarred by Black Sea Agreement of March 1900.)
2. Modification of main line towards Aleppo.
3. Narrow gauge line from Aleppo to Alexandretta.
4. Excess of tithes may be allocated not merely to line as far as El Helif, as stipulated in contract dated June 1908, but to line as far as Bagdad.

I should be glad to receive your observations on points 1 and 2.

[1131]

No. 15.

Sir Edward Grey to Sir G. Buchanan.

(No. 9. Secret.)

(Telegraphic.)

Foreign Office, January 11, 1911.

YOUR telegram No. 11: Russo-German draft agreement.

The text as published in the "Evening Times" contains at end of first paragraph of article 4 the addition indicated by Russian Minister for Foreign Affairs to your Excellency. As this addition was not in the text enclosed in your despatch No. 483 of 10th December, it is quite conclusive that newspaper had access to information not yet in our possession, and that it must have been obtained through Berlin or St. Petersburg. We will try to ascertain the source, but it is very doubtful if we shall be successful.

[1435]

No. 16.

Sir G. Buchanan to Sir Edward Grey.—(Received January 12.)

(No. 13.)

(Telegraphic.) P.

St. Petersburg, January 12, 1911.

RUSO-GERMAN negotiations.

On consulting the map of Persia this afternoon I noticed for the first time that the line laid down in article 4 of the draft agreement runs in such a way as to cut off a block of a triangular shape near the frontier of Afghanistan lying in the neutral zone.

I asked M. Sazonow why he had made this reference to the neutral zone in the draft agreement, and he replied that he considered it highly important to debar the Germans from seeking concessions for railways in the district in question; he had therefore made this reference to a portion of the neutral zone as much in our interest as in that of Russia.

M. Sazonow gave me to understand that the words "latitude of Ghazik" had been inserted by himself. He had not consulted the German Government on this point, and he feared that they might still refuse to accept it.

[46569/10]

No. 17.

Sir Edward Grey to Mr. Marling.

Sir,

Foreign Office, January 12, 1911.

I HAVE received your despatch No. 920 of the 20th ultimo, recording a conversation with the Ottoman Minister for Foreign Affairs on the subject of the Bagdad Railway.

I entirely approve your language to Rifaat Pasha, and I have to request you to inform his Excellency that, if a detailed scheme is put before His Majesty's Government by the Ottoman Government in regard to the sections of the Bagdad Railway between Bagdad and the Persian Gulf, they will be happy to give it their most careful consideration.

I am, &c.

E. GREY.

[1442]

No. 18.

Mr. Marling to Sir Edward Grey.—(Received January 13.)

(No. 8.)

(Telegraphic.) P.

Constantinople, January 13, 1911.

RUSO-GERMAN Agreement.

Considerable annoyance and disappointment with Germany have been produced in Young Turk circles by the versions of the agreement published here. There is a tendency to blame the Turkish Cabinet for their pro-German tendencies of the past few months, and Germany is considered to have betrayed to Russia both Persian and Turkish interests.

[1773]

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[1448]

No. 19.

Sir G. Buchanan to Sir Edward Grey.—(Received January 13.)

(No. 14.)

(Telegraphic.) P.

RUSSO-GERMAN negotiations.

My telegram No. 13 of the 12th January.

St. Petersburg, January 13, 1911.

(Secret.)

I had only time last night to telegraph a meagre account of my conversation with M. Sazonow, which was a very hurried one. I pointed out to his Excellency that while I, for myself, saw no objection to the stipulation that the Germans should not be free to seek for concessions in that part of the neutral zone bordering the Afghan frontier, His Majesty's Government had always been given to understand that in the negotiations pending between the Russian and German Governments the question of the neutral zone would not be touched upon.

The chief point that seems to call for criticism is that Russia, by restricting Germany's rights to seek for concessions in one portion of the neutral zone, may be held to admit her rights to seek them elsewhere in that zone. I am not in a position to know how far we can dispute this right. I asked M. Sazonow whether any effort was being made by Germany to induce him to recognize that she enjoyed complete liberty of action in the neutral and British zones. His Excellency said that Germany had not approached him on the subject.

M. Sazonow said that the whole text of the agreement might have to be drafted afresh in order to prove that the version given by the "Evening Times" was not authentic. I pointed out that if the text were redrafted it would give him an excellent opportunity of clearing up the ambiguity of the wording of the first article. To this he replied that an alteration such as I had proposed would not now be accepted by Germany. I put the matter rather strongly to his Excellency, as I think we must show him that Russia should not leave British interests entirely in the lurch, but his only reply was a repetition of his old arguments and assurances.

He referred also to the second article of the draft agreement, and said that it would have to be revised, hinting that Germany is to be admitted to a share in the construction of the line from Khanikin to Tehran.

The impression that I received from our conversation was that M. Sazonow was very depressed, and that he found himself entangled in a net from which he was vainly trying to extricate himself.

[1627]

No. 20.

Mr. Marling to Sir Edward Grey.—(Received January 14.)

(No. 9. Secret.)

(Telegraphic.) P.

BAGDAD Railway.

Constantinople, January 14, 1911.

In reply to your telegram No. 11 of the 11th instant I learn that discussion has taken place, but I cannot ascertain whether any definite agreement has been arrived at.

Referring to point 1. I know of no branch from Eregli, though pourparlers have taken place for an extension, to be carried out for the account of the Government, from Angora to Sivas.

In regard to point 4. According to a private statement of the Minister of Finance, his Excellency means to allocate the excess of tithes to the extension of the line to Bagdad. Money would be available even without this if the Tobacco Régie is given over to the Public Debt, as seems likely. The régie is one of the ceded revenues affected by the original concession to the railway.

From what I hear, it seems that the Government is pressing the company to start work at other points in order that the railway may be completed to Bagdad within five or five and a-half years, but the company are objecting, as this course would involve increase of expenditure.

[1628]

No. 21.

Sir G. Buchanan to Sir Edward Grey.—(Received January 14.)

(No. 15. Secret.)

(Telegraphic.) P.

St. Petersburg, January 14, 1911.

AT to-day's reception for the New Year I took the opportunity of telling the Emperor with what great pleasure the King had heard of the gracious manner in which His Majesty had received me and of the friendly assurances which he had given me at my audience. The Emperor replied that we could always count on his friendly sentiments, and that the friendly nature of my reception was but natural. I then referred to the press wrangle with regard to the negotiations between Russia and Germany, and the Emperor remarked that the "Evening Times" revelations had been of the nature of a bombshell. It was evident that the information could not have been obtained here, for the matter had been most thoroughly investigated at the Ministry of Foreign Affairs, and this had been clearly established. I replied that the alterations in article 4 of the agreement had never been communicated to us, and it was therefore impossible that the information should have leaked out in London. It looked, therefore, as if some one at Berlin had committed an indiscretion. The Emperor silently signified assent, and then went on to say that he had seen a report of the speech which I had made at the English club dinner. His Majesty was pleased to say that he was very glad that I had spoken as I had done.

I then spoke to the Emperor in much the same sense as I had spoken at my first audience. I said that His Majesty's Government heartily welcomed anything which might tend to place Russo-German relations on a more friendly footing, but that they hoped that the Russian Government would contract no engagements which would fetter their liberty of co-operating as freely with Great Britain in the future as they had done in the past. They trusted that Russia's promise not to oppose the realisation of the Bagdad Railway scheme would not prevent her from giving us her support in any negotiations relating to the Bagdad-Gulf section. The Emperor replied that the engagement which I had mentioned referred only to the railway as far as Bagdad, and would make no difference whatever.

Judging from the Emperor's frank and cordial manner, I think there can be no doubt that His Majesty has, at present, no intention of changing the course of his foreign policy, in spite of the unfortunate assurances given so light-heartedly to Germany by his Foreign Minister.

In conversation with the French Ambassador, the Emperor expressed his great satisfaction with M. Pichon's speech; he said that he agreed with all that M. Pichon had said, and that the speech gave a clear and accurate picture of the present political situation.

[1643]

No. 22.

Mr. Marling to Sir Edward Grey.—(Received January 15.)

(No. 10.)

(Telegraphic.) P.

Constantinople, January 15, 1911.

POTSDAM agreement. See my telegram No. 8 of the 13th January.

An inspired communication in this morning's "Tanin" states that the German Ambassador here declared yesterday to the Minister for Foreign Affairs that the Potsdam interview had not as yet resulted in the conclusion of any agreement, and that the negotiations now under discussion refer only to the construction and junction of railways on Persian territory. The German Ambassador categorically denied that Germany was negotiating about the terminus of the Bagdad Railway, and stated that, except with the previous consent, after consultation, of the Ottoman Government, no negotiations would take place regarding Mesopotamia, which was a part of the Ottoman Empire. The above assurances were given both verbally and in writing, according to the "Tanin."

The paper further adds that it learns that the proposed Russo-German agreement does not imply Germany's confirmation of the position accorded by the Anglo-Russian convention of 1907 to Russia in North Persia, and that, from an authorised source, it has obtained a distinct denial of the report that Germany would disinterest herself in any railway between the Caucasus and Khanikin.

The above rumours had produced a strong anti-German irritation here, which these communications are clearly intended to allay.

[1727]

No. 23.

Sir G. Buchanan to Sir Edward Grey.—(Received January 16.)

(No. 8.)

Sir,

St. Petersburg, January 4, 1911.

I ASKED M. Sazonow yesterday whether there was any truth in the statement made by the "Novoe Vremya" a few days ago that the Russian Government was about to address a note to the German Government in reply to the one which the latter had sent them shortly after the conclusion of the Anglo-Russian agreement, with regard to their future attitude towards German interests in the Middle East.

His Excellency replied by inveighing against the editor of the "Novoe Vremya" for having published such a statement and against the "Times" correspondent for having telegraphed home what the editor of that paper had told him without first controlling its accuracy. A correspondent of the "Novoe Vremya," he said, had called at the Ministry of Foreign Affairs and had been told, in reply to the enquiries which he had made respecting the course of the negotiations with Germany, that a draft *projet* had been sent to Berlin, and he had thereupon concocted a story about a fresh note. The draft agreement, of which he had given me the text, was, his Excellency declared, the only answer which he was sending to the German note of 1907.

M. Sazonow added that he had not wished to give undue importance to this misstatement by publishing an official *démenti*.

In my telegram No. 7 of yesterday's date I stated that it was M. Sazonow himself who had spoken to the correspondent of the "Novoe Vremya." I must, however, have misunderstood his Excellency, as he told my French colleague to-day that the correspondent had only seen an official in the Press Bureau of the Ministry of Foreign Affairs.

I have, &c.

GEORGE W. BUCHANAN.

[1728]

No. 24.

Sir G. Buchanan to Sir Edward Grey.—(Received January 16.)

(No. 11.)

Sir,

St. Petersburg, January 10, 1911.

IN view of the divergent statements which have recently been published in the foreign press respecting the course of the negotiations now proceeding at St. Petersburg for the purpose of incorporating in a diplomatic act the results of the Potsdam conversations, it may perhaps be useful to recapitulate briefly the explanations which have from time to time been given by M. Sazonow with regard to their salient points.

On his return from Berlin, M. Sazonow informed Mr. O'Beirne that, while Germany had agreed not to seek for any concessions of a territorial character within the Russian sphere, Russia had undertaken that the Bagdad Railway should eventually be connected at Khanikin with the future North Persian railway system. Russia was, however, to have the right to construct the Sadijeh-Khanikin line in the event of the Gulf section of the Bagdad Railway being granted to Great Britain. His Excellency further communicated to Mr. O'Beirne the assurances which the German Chancellor had given him respecting Germany's future policy in the Near East. At the same time M. Sazonow informed a correspondent of the "Novoe Vremya" of the general tenour of the agreement arrived at with regard to North Persia and the Bagdad Railway, and assured him that no attempt had been made at Potsdam to draw Russia away from her alliance with France and her cordial agreement with England. On my arrival at St. Petersburg a month later, M. Sazonow communicated to me the text of the draft agreement which he had just submitted to Count Pourtales, according to the first article of which Russia engages not to oppose the realisation of the Bagdad Railway. This engagement, his Excellency subsequently explained, had only reference to the railway as far as Bagdad, and not to the whole railway system, inclusive of the Gulf section and its other branches.

On the 13th December I drew his Excellency's attention to the statement made by the German Chancellor in the Reichstag a few days previously that an engagement had been taken to the effect that neither of the two Governments would join a combination that might be in any way directed against the other. His Excellency thereupon proceeded to explain that assurances had been exchanged between him and

the German Chancellor to the effect that neither Government had the slightest desire to detach the other from the particular combination of Powers with which it was associated, and that neither of these respective combinations contained any point that was directed against the other. He further informed the French Ambassador on the same day that, though the text of the Chancellor's statement had not been drafted in concert with him, it had been previously submitted to him by the German Ambassador, and that he had raised no objections to its terms.

On the 31st December the "Novoe Vremya" announced that the Russian Government were about to send a note to the German Government in reply to the enquiries which the latter had addressed to them after the conclusion of the Anglo-Russian Agreement respecting their future attitude towards German interests in the Middle East. This note, the "Novoe Vremya" declared, would state that the two Governments had agreed not to take any part in any new combination "with regard to Asiatic affairs" which might be directed against the other. On my questioning M. Sazonow as to the truth of this statement, his Excellency explained that the correspondent of the "Novoe Vremya" had misrepresented what had been told him at the Ministry of Foreign Affairs respecting the negotiations with Germany, and that the draft agreement of which he had given me the text was the only answer which he proposed to return to the German note of 1907. His language to the French Ambassador, who addressed a similar enquiry to him a day or two later, was still more explicit, as his Excellency then declared that no other document, secret or public, had either been prepared or was in course of preparation for communication to the German Government. Finally, on the 7th of this month M. Sazonow informed a correspondent of the "Novoe Vremya" that, as regarded the Potsdam conversations, he could only repeat his former statement which had been published in the "Novoe Vremya" of the 9th November, and that any agreement which might be arrived at between the two Governments would be published *in extenso*.

I have, &c.

GEORGE W. BUCHANAN.

[1729]

No. 25.

Sir G. Buchanan to Sir Edward Grey.—(Received January 16.)

(No. 12. Secret.)

Sir,

St. Petersburg, January 10, 1911.

ON my calling on the Minister for Foreign Affairs this afternoon his Excellency greeted me by saying that he was very much upset, and that I could probably guess the reason. On my replying in the affirmative, M. Sazonow proceeded to say that he had a favour to ask of His Majesty's Government, namely, that they would endeavour to discover the source from which the "Evening Times" had obtained a copy of the agreement which was being negotiated between him and the German Ambassador. In order to meet the wishes of the German Government he had altered the text of the fourth article of the original draft, and the version of it that had been published by the "Evening Times" was correct. According to its terms Germany was not to seek for concessions for railways, &c., in the Russian zone without first coming to an understanding with the Russian Government. This fact was known by no one outside the German and Russian Foreign Offices, not even by the Emperor of Russia himself, and he had therefore told Count Pourtales, who had just been to see him, that, as this was the case, the "Evening Times" could only have obtained its information at Berlin or St. Petersburg, and that it had certainly not done so at the latter capital. On my pointing out one or two discrepancies between the original draft and the published version, M. Sazonow remarked that there were a few inaccuracies in some of the articles, but that, taken as a whole, the document published by the "Evening Times" was a literal translation of the original.

I said that I was sure that His Majesty's Government would be only too glad to render him every assistance in their power, but that I feared that they might have no means at their disposal for ascertaining the truth. It certainly seemed, after what he had told me, that somebody at the Berlin Foreign Office must have been guilty of a great indiscretion. The German Government did occasionally use the English press for the purpose of imparting to the world information which it wished to make public, whether that information were true or false. The report which had been communicated to his Excellency on his arrival at the Russian Embassy at Berlin that His Majesty's

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Government were on the point of concluding an arrangement with the German Government on the subject of the Bagdad Railway had originated in an article in the "Daily Chronicle," which had evidently been inspired in the Wilhelmstrasse. I should not, moreover, be surprised if the "Daily News" and the "Nation" had drawn their inspiration for their recent articles on the subject of the Triple Entente from the German Embassy in London. In any case, I could give him the positive assurance that the articles in question in no way represented the views of His Majesty's Government, that the papers themselves did not enjoy the reputation which appears to be attributed to them abroad, and that the Russian Government need not entertain the slightest doubt as to the loyal and friendly sentiments of His Majesty's Government. M. Sazonow replied that he never doubted this for a moment, and that until to-day, when the "Rech" had alluded to them, not a single Russian newspaper of importance had paid any attention to the articles in question.

On my asking later on in our conversation whether his Excellency could give me any further information with regard to the course of the negotiations with Count Pourtales, M. Sazonow replied that the German Government had, as he had anticipated, suggested several slight amendments in the text of the draft agreement. At first his Excellency did not seem inclined to inform me of their nature, but he subsequently told me that the German Government were anxious to alter the second article so as to bind Russia to commence the construction of the North Persian Railway as soon as the Sadijeh-Khanikin line had been completed. His Excellency explained to me at some length that Count Pourtales was insisting on obtaining such an assurance from Russia in order to satisfy German public opinion that the Imperial Government was doing all it could to secure an access for German trade to Persia from the south, seeing that the northern route was closed to it by the transit dues in the Caucasus.

I then enquired what truth there was in the reports which had appeared in the press that the two Governments were about to engage not to enter into any fresh combinations respecting Asiatic affairs that could in any way be directed against the other. I reminded his Excellency of the explanations which he had given me as to the meaning of the German Chancellor's statement in the Reichstag with respect to the engagements taken at Potsdam as regarded such combinations in general (see my immediately preceding despatch), and asked whether it was his intention to record these engagements in the draft agreement. M. Sazonow replied by an emphatic negative, declaring that if the German Government proposed such a course to him he would certainly not consent to it. He still held to the explanations which he had given me on the occasion of the Chancellor's speech. They represented what he held to be the true character of these engagements, but there were certain details connected with the Potsdam visit which he could not confide to me at present. He would, however, communicate them to His Majesty's Government when he went, as he hoped to be able to do later on, to London, and meanwhile he would ask me to reserve my report of what he had just told me for a despatch by messenger, as he did not trust cypher telegrams. I did not like to press his Excellency further, and had therefore to be content with this somewhat enigmatic explanation.

On taking leave of M. Sazonow I mentioned that I had to preside to-morrow at the annual dinner of the British community at St. Petersburg, and that, in view of all that had been said in the press of late with regard to the Triple Entente, I proposed to say in the course of my speech that Anglo-Russian relations had never been more cordial than at the present moment, that the two nations were bound to each other by ties of sympathy and friendship, and that, now we had got to know and understand each other, I was convinced that we should always remain the best of friends. M. Sazonow replied that he entirely approved of my doing so, as he thought that such a statement might have a very good effect at the present moment. He would only ask me to add the word "interests" after "friendship and sympathy," as our common interests were the most important bond of union between us.

I have, &c.

GEORGE W. BUCHANAN.

P.S. *January 12.*—I only noticed on looking at the map of Persia this afternoon that the line traced in the fourth article of the draft agreement, north of which the Germans are not to ask for concessions, runs for the last section considerably south of the Russian sphere of interest, and thus comprises a triangular block of the neutral zone. As M. Sazonow had never called my attention to this fact, I went to the Ministry of Foreign Affairs and asked him to be good enough to explain the reason of including

a reference to the neutral zone in the draft agreement. His Excellency replied that he had done so both in our interest and his own. The Russian Government were particularly anxious that the Germans should not obtain a concession in the portion of territory in question, and unless it was specifically mentioned in the agreement they would be free to do so as in any other portion of the neutral zone. He did not imagine that we should raise any objection to it. I said that, though we had understood that the neutral zone was not to be touched in the present negotiations, I did not personally see any objection, but that, as the matter stood at present, I should have preferred to have adhered to the original text of article 4 and not to have introduced the words "without coming previously to an understanding with the Russian Government." M. Sazonow replied that he had himself introduced these words into the article, and for the following reason: Count Pourtales had objected to "concessions de caractère territorial" being added to railways, &c., and, in order to overcome his opposition, he had put a full stop after the word "télégraphes" and begun a new sentence, in which the German Government declared that it would not seek for concessions of a territorial nature without the consent of the Russian Government. He rather doubted whether Count Pourtales would accept even this text, and if he did not the sentence would stop at "télégraphes."

I then enquired whether he expected that the negotiations would continue for any length of time. His Excellency replied that he feared that they would, as, in the first place, the two Governments might wish to change the text completely so as to show that the "Evening Times" version was not the authentic one. I observed that, in that case, I trusted that his Excellency would be able to render the meaning of the first article clear by inserting the words "jusqu'à" before "Bagdad." The Germans, M. Sazonow said, would not be likely to accept this, and though, on my remarking that if the text remained as it stood the whole German press would proclaim to the world that Russia had withdrawn her opposition to the whole Bagdad Railway scheme, his Excellency said he might try to do so, I do not think that there is the slightest chance of his making the attempt. He repeated to me once more his former arguments and his former assurances.

I further enquired what were the chief points that had still to be discussed. M. Sazonow replied that article 2 would have to be reconsidered in order to fix the term in which the Tehran-Khanikin line should be commenced. He even gave me to understand that the Germans were asking to participate in its construction. It would, he remarked, be a very expensive line to build, and it was being built exclusively in the interests of Germany. As long as Russia retained the control he thought that it would perhaps be more popular in this country were the Germans also to bear a share of its cost.

M. Sazonow told me in the course of our conversation that the Turkish Ambassador in Berlin, on reading the "Evening Times" version of the agreement, had declared that its provisions with regard to the question of railways would be most prejudicial to Turkish interests, and that, if they were persisted in, Turkey would have to modify the terms of the Bagdad Railway concession.

G. W. B.

[1658]

No. 26.

Mr. Marling to Sir Edward Grey.—(Received January 16.)

(No. 29.)

Sir,

Pera, January 11, 1911.

THE Potsdam interview has attracted a certain amount of attention in the local press, and the enclosed article in the "Tanin" is a fair sample of the comments it has elicited, which, in the main, have been devoted to insisting on Turkey's right to take an interest in Persian affairs. That these interests have been ignored by Germany in the present instance has caused a certain feeling of soreness—a note of which appears in the present article—against the Power that enjoys the special friendship of Turkey, and it was no doubt on this account that Baron von Marschall was authorised to inform the Porte of the tenour of the pourparlers at Potsdam.

The "Tanin" also notes that Russia has now practically come to an agreement with the German Government over railway questions in the regions in which she is interested, and that the English press is annoyed at our being left alone in our

opposition to the Bagdad Railway. This observation is due to the re-publication in a good many of the Constantinople papers of an article which appeared recently in the "Daily News," suggesting that Great Britain was dissatisfied with the way in which Russia was fulfilling her engagements under the 1907 convention, and was beginning to repent of her efforts to maintain intimate relations.

I have, &c.

CHARLES M. MARLING.

Enclosure in No. 26.

Extract from the "Tanin" of January 10, 1911.

THE POTSDAM MEETING AGAIN.

(Extract.)

FURTHER information confirms the view we expressed yesterday that the idea that Russia was to build the Bagdad-Khanikin railway section was absurd, and that the Russo-German agreement merely treated of the junction to be effected between the Bagdad Railway and a line to be constructed by Russia in Persia. The matter now becomes clear and reasonable. Nevertheless, we could have wished that the German Government, for the sake of our *amour-propre*, had admitted to this purely economic discussion those entitled to admittance on purely economic grounds; that it had exchanged views, for instance, with the Ottoman Bagdad Company, or with the Russian, mixed or international company which proposes to build the Persian line. In that case the railway would have been separated from politics, and our confidence would have been increased.

From the satisfactory information we have received, we can say that Germany was courteous enough to communicate to the Sublime Porte the gist of the economic discussion about the Khanikin line. Its omission to inform our Ambassador at Berlin at the same time is a detail, and we see no necessity to insist upon it.

It is not only the Khanikin question which affects us. European statesmen must realise that all Persian affairs have a very keen interest for Turkey. Why is it that Russia, when she wants to get *carte blanche*, thinks it necessary to approach Germany, who is several thousand miles from Tabreez, while she does not exchange views with us, who have a common frontier with Persia for thousands of kilometres? Even if we did not take so broad a view of the Persian question, why should it not be considered as important to discuss the Khanikin line with Ottoman diplomatists as with the Germans?

While not leaving the economic sphere, Germany is following an important policy in this matter. She is obtaining the consent of one of the Powers who for long have been opposed to the completion of the Bagdad Railway. Russia leaves the other opponent, England, practically alone in her obstruction, and she sacrifices this for a proposed Persian railway which may never come into being. She gives up present advantage for a future, imaginary profit; and that is why the English press is so angry and is accusing Russia of not playing the game.

So far as the German point of view and the Bagdad Railway are concerned, there is no need for Turkey to excite herself about the Potsdam meeting. We repeat that the policy pursued with regard to Persia generally is for us a question of life and death. There is no country whose common frontier with Persia is as long as ours; there is no country with whose people we are so closely bound by ties of affection; therefore Turkey must have a voice in Persian affairs. Neglect touches the *amour-propre*. We do not think that the present strength of our country will allow us to be treated with this policy of neglect, and it is as necessary for the other party to the agreement to make explanations and communications to the Sublime Porte as it was for Germany to make them. We are justified in expecting the communications which courtesy and friendship alike demand.—ISMAIL HAKKI.

[1774]

No. 27.

Sir V. Corbett to Sir Edward Grey.—(Received January 16.)

(No. 3.)

Sir,

Munich, January 12, 1911.

YOU have doubtless been informed from other sources of the commotion that has been occasioned in the German press by the Chancellor's speech in the Reichstag on the 10th December with reference to the "Potsdam interview" and the comments thereon in the French and English newspapers.

The subject was worn almost threadbare before I arrived in Munich, and I have therefore not thought it worth while hitherto to trouble you with any remarks upon it. To-day's issue, however, of the "Münchener Neueste Nachrichten" contains a communication from its correspondent at Berlin which bears indication of being officially inspired, and may be fairly taken to indicate the view which the German Government would wish the public to take of the results of the now famous interview, especially as regards its effect on their relations with Great Britain.

After some disobliging remarks respecting the attitude of the English, French, and Russian papers, and favourably comparing M. Sazonow's character as a statesman with that of his predecessor M. Isvolsky, the writer of the article goes on to say that it is not to be wondered at that the standpoint of Russia in these negotiations has not been fully grasped by Russian diplomatists abroad or by the Chanceries of London and Paris. The latter have sought to prove that the results of the Potsdam interview were exaggerated, and that both the Franco-Russian alliance and the Triple Entente remained unshaken. On the part of Germany these facts have never been contested, but it is indeed true that Germany and Russia have come to an understanding on various questions, with the firm determination on both sides that neither Power shall enter into any combination which is aimed against the other. If, however, out of a long list of questions the affairs of Persia and the Bagdad Railway contract have been singled out for special comment by the foreign press it can only be because the idea that Russia should come to an independent understanding with Germany on these points is disliked in London, notwithstanding that not so long ago a united advance of the three Powers was planned. Russia is dealing at this juncture solely in the interest of her own commercial and political plans, and these interests happen to correspond exactly with those of Germany. But Germany is naturally also always ready to come to an understanding with England in regard to the Bagdad Railway, though obviously not on the basis of the pretensions categorically put forward by the "Daily Telegraph." To begin with, it may be observed that they would never be accepted by Turkey, for it must not be forgotten that the Bagdad Railway is a Turkish enterprise, carried out for the most part with German money, and that the Turkish Government, conscious of its own interests, will never hand over the important final section of the line to English control ("Oberhoheit"). Many other possibilities are, however, conceivable, and since the Governments of London and Berlin have agreed—according to the statement of the Imperial Chancellor on the 10th December—forthwith to enter on an amicable discussion of their respective interests, it may be hoped that here too a way may be found to bring about a solution satisfactory to all parties.

I have, &c.

VINCENT CORBETT.

[2068]

No. 29.

Sir Edward Grey to Sir R. Rodd.

(No. 5.)

Sir,

Foreign Office, January 16, 1911.

THE Italian Ambassador asked me to-day about the Russo-German negotiations at Potsdam.

I said that we heard from St. Petersburg that these negotiations had made no change in the orientation of Russian policy, and I considered that nothing had happened that implied a regrouping of the European Powers, or that would impair our cordial relations with Russia.

The Ambassador enquired whether I was quite satisfied with regard to the Bagdad Railway.

I replied that the Bagdad Railway was only one thing, and it must not be regarded as deciding our foreign policy as a whole. What had passed at Potsdam with regard

[1773]

H

to the Bagdad Railway was, I hoped, the first step towards a general solution of the problem, and a solution was much to be desired.

The Ambassador then told me that he had sent to his Government a report on an article which had appeared in the "Daily News" recently on the subject of *ententes* with Russia and France, and which had excited much comment.

I said that the article had been brought to my notice. It did not seem to me to be very fortunately worded. It was certainly not inspired, nor did it represent the foreign policy of the Government. As a matter of fact the "Daily News" and some other newspapers on the Liberal side were constantly attacking the foreign policy of the Government. It was quite true that our understandings with France and Russia had no aggressive point against Germany; but the "Daily News" article might have given the impression that we were prepared to sacrifice some of our friendship with Russia or France in order to improve our relations with Germany. That we would never do.

The Ambassador said that if Germany approached us on minor points of difficulty he supposed there would be no lack of disposition here to meet her.

I replied that we certainly wished to be on the best of terms with Germany ourselves, and rejoiced to see France and Germany and Germany and Russia on good terms. If Germany acted in good faith she could have the best relations with every Power in Europe. Difficulty had been caused in the past by what I called the "dregs" of the Bismarckian policy, the making of mischief between other Powers, and the poisoning of the mind of one against another. But I did not say that this existed now.

I am, &c.

E. GREY.

[1958]

No. 29.

Sir Edward Grey to Mr. Marling.

(No. 14.)

(Telegraphic.) P.

Foreign Office, January 17, 1911.

IN December last the Turkish Minister for Foreign Affairs expressed a desire to discuss with us the question of the Bagdad Railway. Rifaat Pasha stated he was preparing a project for the solution of the question. If, therefore, he refers to the matter again, you should say that any proposals which the Porte has to make will at all times receive the careful attention of His Majesty's Government. I do not want the Ottoman Government to be able to say that it is our unwillingness to discuss the question which prevents progress being made. I recommend to your notice as of use in this connection memorandum of the 29th July, 1910, communicated to Turkish Minister of Finance.

[2081]

No. 30.

Sir Edward Grey to Sir F. Bertie.

(No. 28. Secret.)

Sir,

Foreign Office, January 18, 1911.

I GAVE M. Cambon to-day, verbally, the substance of my conversation with Count Benckendorff yesterday, omitting any reference to the details of German participation in the Tehran-Khanikin branch railway and to the neutral zone in Persia.

M. Cambon took the same view as I did as to what M. Sazonow had done at St. Petersburg with regard to the Bagdad Railway, and said that it was more than ever necessary that France and we should keep in close touch and act in accord.

I concurred in this.

M. Cambon added that M. Sazonow had informed the French Ambassador in St. Petersburg that, owing to the publication of the draft agreement, the draft would have to be set aside, and some time would be required to arrange matters. M. Cambon understood that M. Sazonow had said to Sir George Buchanan not only that time would be required, but that in the course of further discussion the arrangement with Germany might have to be extended, so as to embrace more than was comprised in the negotiations at Potsdam.

I added that M. Sazonow had said that only what related to the Bagdad Railway would be put in writing, and that whatever else there might be would not be in writing.

I then told M. Cambon that, if we received a proposal as to the Bagdad Railway from either Germany or Turkey, we would try to get the best possible terms in connection with the section from Bagdad to the Gulf. But we would not make a definitive arrangement without consulting the French Government and keeping in touch with them.

M. Cambon asked me what arrangement would be possible, for he understood that we had told Djavid Bey that we could not agree to the conversion of the Bagdad-Gulf section into a Turkish railway.

I replied that, on the contrary, we had told Djavid Bey that if the Gulf section was to be a Turkish railway, and the Turks would employ British engineers, materials, &c., an arrangement might be possible. As to Koweit, if the Turks would guarantee the *status quo* of the sheikh's position we would recognise Turkish suzerainty over the whole district.

The information that we were prepared to recognise Turkish suzerainty over Koweit seemed to be new to M. Cambon. He said that a Turkish railway made by British engineers and British materials, with a British director, and a harbour constructed and managed by us, seemed to offer a possible solution.

I asked him what France would require.

He answered that the Bagdad-Homs line would be of no use until Mesopotamia was made profitable by irrigation. France would, however, ask for the preference in making this line if Turkey ever decided to have it built. This he regarded as a rather remote contingency. France would also ask for the junction of the Aleppo line with the Bagdad Railway; for the Samsun-Sivas line; and perhaps also some small railway in the north. After all that had passed, Russia ought to agree to this.

I said that in any case we must keep in touch, and we must both see that M. Sazonow held to his position with regard to the 4 per cent. increase in the Turkish customs dues. I impressed upon M. Cambon that I did not wish to try to upset the arrangement which Russia had made with Germany. I wished M. Sazonow to make the best of it. If it were upset there would be a great deal of friction, and no one could say how far the consequences might extend.

M. Cambon said that we must look upon what had been done as a loss to be written off.

I am, &c.

E. GREY.

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No. 31.

Sir Edward Grey to Sir G. Buchanan.

(No. 6.)

Sir,

Foreign Office, January 18, 1911.

I HAVE received your Excellency's despatch No. 497, Secret, of the 26th ultimo, reporting a conversation with the Russian Minister for Foreign Affairs relative to the draft agreement respecting Persia and the Bagdad Railway which has been submitted by his Excellency to the German Government.

I approve the language used by your Excellency to M. Sazonow on that occasion.

I am, &c.

E. GREY.

[1628]

No. 32.

Sir Edward Grey to Sir G. Buchanan.

(No. 17. Secret.)

Sir,

Foreign Office, January 18, 1911.

I HAVE received your Excellency's telegram No. 15, Secret, of the 14th instant, reporting your conversation with the Emperor of Russia on the occasion of the reception of the diplomatic body by His Imperial Majesty on the Russian New Year's Day.

The language used by your Excellency to His Imperial Majesty has my entire approval.

I am, &c.

E. GREY.

[2081]

No. 33.

Sir Edward Grey to Sir G. Buchanan.

(No. 19. Secret.)

Foreign Office, January 18, 1911.

Sir,

I GAVE Count Benckendorff to-day a short summary of the history of the Bagdad Railway question.

For some time M. Isvolsky had been reluctant even to admit the principle of agreeing to the Bagdad Railway. In those days I had urged that, as the railway was sure to be made sooner or later, it was waste of time to discuss whether it should be agreed to in principle, and the important thing was to decide on what terms it should be agreed to.

On the occasion of the German Emperor's visit to Windsor a few years ago, the Germans had expressed themselves willing to discuss with us the question of the railway. I had told Herr von Schoen that the discussion must be *à quatre*. Neither he nor the Emperor raised objections to that at the time, but subsequently the Germans had refused to have a discussion *à quatre*.

All this, together with the Russian reluctance to accept the principle of the railway, had for some time suspended negotiations.

Latterly the position had been that each of us might negotiate separately with the German Government, but that we should make no arrangement definite until a settlement was come to with all of us. I showed Count Benckendorff the conclusion of my letter of the 31st May, 1910, to Sir Henry Babington-Smith, who was then negotiating with Herr Gwinner on behalf of Sir Ernest Cassel. The last sentence was as follows: "... it would be well for you to make sure that any proposals put forward by Herr Gwinner have the approval of the German Government, and you must clearly understand that we can approve no agreement definitely without consulting the French and Russian Governments."

It appears now that, at Potsdam, M. Sazonow had agreed definitely to give Germany what she desired, namely, a junction at Khanikin. This was really all that Germany did wish to get from Russia, and the fact that Germany had obtained this from Russia definitely must to some extent weaken our position in dealing with Germany with regard to the Bagdad Railway.

Count Benckendorff observed that this arrangement concerned only a branch of the Bagdad Railway, and did not really settle the question of the railway. Indeed, it might be said to be not the Bagdad Railway at all. More would be required from Russia before the railway was concluded; for instance, her agreement to the 4 per cent. increase of the Turkish customs dues. In regard to this, M. Sazonow was still quite unpledged. Further, though M. Sazonow had agreed to connection at Khanikin, he had not undertaken to make the Persian branch in any definite time.

With regard to this last point, I observed that the negotiations between Russia and Germany were not yet concluded, and I doubted whether it was certain that the time for making the branch in Persia would remain indefinite, as Count Benckendorff said it was now.

There was another point on which I wished to comment. I gathered from what M. Sazonow had said to you that Germany might press for participation in the Tehran-Khanikin branch. It would be a very serious matter if Germany obtained any control of this branch. For, in times of Panislamic excitement, it might be used to mobilise German-trained Mussulman forces. Germany, who had no Mussulman subjects, was not embarrassed by Panislamism, but it might be very serious to Russia and England. It was therefore most important that Russia should retain absolute control.

Further, I observed that, though M. Sazonow had stated originally that he would not discuss the neutral zone in Persia without first consulting us, he had brought part of it into his negotiations with Germany. I made no complaint as to what was done with regard to this part taken by itself; but the Germans might now contend that as part of the neutral zone had been dealt with in the agreement this implied that Russia would not raise any question about the rest of the neutral zone, and this might be an embarrassment to Russia if we asked for her co-operation in matters concerning the neutral zone generally.

I then said to Count Benckendorff that, though I made these criticisms on the negotiations at Potsdam, I wished it to be clearly understood that I did not regard them as affecting the general relations between Russia and England, which would remain as far as I was concerned as cordial and intimate as ever. Nor did I wish Russia to back out of the arrangement which she had made; that would make her

relations with Germany worse than before, and it would suit neither Russia nor us that she should be on bad terms with Germany. What I did wish was that Russia should be on her guard respecting the points to which I had called attention.

I also told Count Benckendorff that we must now as opportunity occurred make the best terms we could with Germany or Turkey as to the section of the railway from Bagdad to the Gulf. It was most important that M. Sazonow should keep in reserve the question of the 4 per cent. increase of Turkish customs dues, so that we might both co-operate on this point. I was very glad to hear what Count Benckendorff had said on this point, and to learn from him how clear M. Sazonow's view with regard to it was.

I am, &c.
E. GREY.

[2243]

No. 34.

Sir F. Bertie to Sir Edward Grey.—(Received January 20.)

(No. 34. Confidential.)

Paris, January 19, 1911.

Sir,

AT an interview which I had with M. Pichon yesterday I congratulated his Excellency on his speech in the debate in the Chamber of Deputies on the Foreign Office estimates. He said that it was necessary to gloss over the proceedings of M. Sazonow at Berlin. In his anxiety to obtain some advantage for Russia the latter had neglected to communicate, as he ought to have done, with the French and British Governments in regard to the Bagdad Railway question, and he had tied his hands in that question.

I referred to the dissatisfaction which had been shown by the Turkish press at the agreement between Russia and Germany, and M. Pichon said that he was not entirely unconnected with that dissatisfaction, for when Naoum Pasha, the Turkish Ambassador at Paris, had enquired what he knew concerning the Potsdam interviews, he had replied that all he could tell him was that they had dealt with Persia and that it was not to be supposed that M. Sazonow had acceded to German desires in regard to Persia without some compensatory advantages which perhaps might not be consistent with the interests of other Powers. It would be for the Porte to consider what they might be.

M. Pichon further told me that, having heard that there might be modifications in the Russo-German agreement, he had plainly told the Russian Ambassador that in such event, and in any future cases in which French interests are involved, the French Government expects to be consulted and kept informed by the Russian Government.

I have, &c.
FRANCIS BERTIE.

[2350]

No. 35.

Sir F. Cartwright to Sir Edward Grey.—(Received January 20.)

(No. 6. Confidential.)

Vienna, January 20, 1911.

(Telegraphic.) P.

I UNDERSTAND that the articles on the Potsdam interview which have been published by the "Tanin" newspaper at Constantinople have aroused some uneasiness at the Ministry for Foreign Affairs here. It appears that there is a tendency here (probably inspired by Germany) to attribute to Anglo-French intrigues the inspiration of these articles. There is, I am told, an inclination existing in the Ballplatz, or in some quarters of it, to make the matter before long the subject of articles in the press, though up to the present there has been nothing of the kind published. It is expected that Count Aehrenthal, who is now absent, will spend a few days here in the course of next week, when I shall hope to see him.

I have received the information contained in this telegram from a private and confidential source.

[1773]

I

[848]

No. 36.

Foreign Office to India Office.

Sir,

Foreign Office, January 20, 1911.

I AM directed by the Secretary of State for Foreign Affairs to transmit to you, for submission to the Earl of Crewe, copy of a despatch from His Majesty's chargé d'affaires at Constantinople, enclosing a memorandum of a conversation which has taken place between Sir H. Babington Smith and the Turkish Grand Vizier.* Mr. Marling discusses especially the parts of the conversation relative to the Bagdad Railway and Koweit, and raises the question whether the time has not arrived when it might be possible for His Majesty's Government to avail themselves of their acquired position at Koweit with a view to securing British participation in the Bagdad Railway.

Sir E. Grey concurs in the view that, having regard to the long-standing relations of His Majesty's Government with Koweit and to their close nature during the last few years, it would be impossible now to abandon the sheikh to the Turkish Government without incurring a disastrous loss of prestige. On the other hand, he recognises that a settlement of the question of Koweit can only be effected by including it in an arrangement concerning the Bagdad Railway. An indication to this effect was tentatively placed before the Turkish Minister of Finance on the occasion of his visit to England in July last, and for convenience and reference I am to transmit to you a copy of a memorandum which was handed to Javid Bey at the time.

Even if it be deemed inopportune now to approach the Turkish Government, it appears expedient to form a conception of what shape a settlement of the Koweit question should take, so that His Majesty's Government might be ready if the question were suddenly forced upon them.

Sir E. Grey would suggest that, with a view to such a settlement (which would only be acceptable as part of an arrangement for British participation in the Bagdad Railway), His Majesty's Government might recognise the Turkish suzerainty while stipulating for a full measure of home rule in the administration, especially as regards customs matters, as to which the sheikh is particularly jealous of foreign interference. The question might also be considered whether provision be made for the payment of a fixed tribute by the sheikh to Turkey, for which he might possibly recoup himself by certain port dues on through traffic, the continuance of the tribute to be subject to the equitable treatment of the sheikh in regard to his date groves in the vilayet of Bassorah. As the sheikh has already virtually admitted Turkish suzerainty by accepting the title of kaimakam, Sir E. Grey does not anticipate that there would be serious difficulty in inducing him to assent to such an arrangement, especially as he is most anxious that the terminus of the railway should be at Koweit. A settlement of the question under discussion would probably only be satisfactory if it involved the control of the port by His Majesty's Government and the sheikh, thus excluding Turkish or German interference at Koweit in internal matters.

It is not possible to estimate what leverage, if any, the situation of Koweit gives Great Britain on the Bagdad Railway question until it is decided whether some such concessions as are above indicated can safely be made; but the main lever for the settlement of these questions will consist in the power of His Majesty's Government to refuse their consent to the proposed increase of 4 per cent. in the Turkish customs and to the continuation of the 3 per cent. increase beyond the month of April 1914, when the consent already given to that increase will expire.

Sir E. Grey will be obliged if the Earl of Crewe will favour him with his observations on the points raised in this letter.

I am, &c.

LOUIS MALLET.

* No. 12.

[2460]

No. 37.

Sir G. Buchanan to Sir Edward Grey.—(Received January 22.)

(No. 18. Secret.)

(Telegraphic.) P.

St. Petersburg, January 22, 1911.

RUSSO-GERMAN negotiations. Your despatch No. 19 of the 18th January.

(Secret.)

I saw M. Sazonow yesterday, and his Excellency told me that Count Benckendorff's report of his conversation with you had not yet reached him. I accordingly told him what you had said to Count Benckendorff.

M. Sazonow gave me quite satisfactory assurances with regard to the 4 per cent. customs increase. He said that he had explained at Potsdam that the question of the customs increase could not be discussed by the two Governments, as it was a question which concerned the general policy of Russia.

I regret that I cannot express the same satisfaction with the language held by M. Sazonow on the other points. He treated with ridicule the idea that Turkey could ever utilise the Khanikin-Tehran line for the transport of her troops, pointing out that, if such a danger did ever really threaten, Russia was near at hand in the Caucasus and would always be able to prevent it. With regard to the question of the neutral zone, M. Sazonow added nothing to his previous arguments which I have already reported (my despatch No. 12, Secret, of the 10th January). From information which has reached me from another source, I fear that his Excellency contemplates ceding to Germany entirely the construction of the line from Khanikin to Tehran. Germany is also pressing him to alter the text of article 3 of the draft agreement in such a way as to render it less distasteful to Turkey. Count Pourtalès, he said, had submitted a fresh version of the article in question, but its terms appeared to him too vague. I pointed out to M. Sazonow the danger of accepting any version of the article which might be open to two different interpretations, as had been the case with the text of article 1.

When Count Benckendorff's report arrives I shall see M. Sazonow again, but I find some difficulty in reconciling his Excellency's language to me on my first arrival here with these fresh concessions to Germany. On my arrival he gave me to understand that his consent to the demands of Germany with regard to the Bagdad Railway had been forced from him by the necessity of obtaining from Germany an assurance that she would not encourage the construction of any lines of railway to the north of Khanikin between her Bagdad Railway and the Persian and Russian frontiers, and by the fact that it was essential for Russia to avert any possibility of Germany securing the concession for the railway from Khanikin to Tehran. It now looks as if he was on the point of surrendering all the advantages which he was supposed to have won at the interview at Potsdam, and as if these present negotiations would leave him almost empty-handed, unless, indeed, he has succeeded in obtaining some *quid pro quo* of which we are kept in ignorance.

[2505]

No. 38.

Sir E. Goschen to Sir Edward Grey.—(Received January 23.)

(No. 15.)

Sir,

Berlin, January 14, 1911.

IN his weekly review of international politics, Professor Schieman devotes a paragraph to the Potsdam conversations and the subsequent negotiations between the German and Russian Governments. He says that nothing authentic is known of the Russo-German agreement beyond what was stated by the Chancellor in the Reichstag with the consent and approval of the Russian Minister for Foreign Affairs. Everything else was apocryphal, even though the alleged text of the agreement published in the "Times" [*sic*] might be not far from the truth. He adds that this publication is probably only the rough draft of an agreement which, through an astounding indiscretion, came into the possession of the great city organ from the Russian Foreign Office, but that the text cannot possibly be correct, as the Russian Minister for Foreign Affairs has stated publicly that the negotiations are still in progress, and that on their

conclusion the full text of any agreement which may be arranged will be published. Professor Schiemann then makes the following remarks:—

"However this may be, one fact remains fully established, namely, that Germany will support no attack on Russia, by whomsoever made, and that on her side Russia will take part in no aggressive action against Germany. If, then, this arrangement, as is stated, neither affects nor weakens either the Russo-French Alliance or the Anglo-Russian *Entente*, it follows, by irrefutable logic, that by neither of these arrangements was Russia bound to support any aggressive action directed by France or England against other Powers. It suited, however, French interests that the fiction should be maintained that the Russian alliance was to serve France in every possible combination of circumstances, while in certain quarters it was found advantageous to attribute the same wide range to the conversations at Reval. Before M. Sazonow's time Russian statesmen saw no necessity to contradict this fundamental error, and on their shoulders must lie the responsibility for the anxiety with regard to the possible outbreak of a great European war which has for so long disturbed the public mind. The two Emperors and the leading statesmen of Russia and Germany have now found it more useful to explode this fiction and let the truth be known, and in taking this course they have rendered eminent service to the peace of the world. The sorry efforts to draw a veil over the truth which have recently been noticeable, first in M. Isvolsky's speech to M. Fallières and then in innumerable articles in the French, English, and Russian press, have therefore signally failed without altering the fact that a defensive alliance exists between Russia and France and a carefully defined understanding between England and Russia. Whether the understanding between Great Britain and France contains, beyond the articles of the 8th April, 1904, any paragraphs of a more far-reaching character directed against Germany, is not known; it seems, however, to be very unlikely."

Another well-known publicist, Count Reventlow, has an article this week on Persia, and more especially the Bagdad Railway.

In this article he begins by observing that now that even in France people have commenced to realise, though perhaps somewhat against the grain, that the Russo-German agreement has strictly followed the lines indicated by the German Chancellor in the Reichstag, British public opinion is concentrating its attention on what for years has been the corner-stone of British policy and designs in the Middle East, namely, the Bagdad Railway in its relation to the Persian Gulf and Persia.

As regards the latter country, Count Reventlow expresses the opinion that, under present circumstances, the Anglo-Russian agreement, which divided Persia into three zones—Russian, British, and neutral—cannot remain much longer in its present form, and that with the advent of a more orderly state of affairs in Persia and with the growth of commerce and means of communication in the interior, its conditions must necessarily be relaxed. He argues that the British zone, created as such for political and strategical reasons, although the smallest and least important both as regards population and fertility, nevertheless contains the most important roads. That, on the other hand, the neutral zone which touches the Persian Gulf, contains the town of Shiraz and the harbours of Bushire and Bunder Abbas, and includes the fertile and commercially valuable territory served by the caravan roads which connect the Russian zone with the Persian Gulf. He adds that the Persian Gulf itself is completely in the hands of the English, and that the latter have a complete monopoly over the roads in question, and that therefore the middle zone of Persia is practically anything but a neutral zone. He then points out that although His Majesty's Government have in deference to European public opinion modified their threat to "take into their own hands" the protection of the roads, the fact remains unchanged that the efforts of Great Britain are directed towards obtaining a commercial monopoly of the roads of Middle Persia, and thus dominate the trade of North Persia, with the Persian Gulf as the basis of her operations. He then contrasts this policy, which he declares to be in direct contradiction to the principle of the "open door," with that of Russia, who, as regards her zone of influence, has given the required guarantees that that principle will be upheld. He then says:—

"In the present state of railway construction in Persia and Turkey, Great Britain is able by means of her predominant position in the Persian Gulf to exercise a commercial influence over North Persia, and both a commercial and political influence over Middle Persia, a result which is entirely at variance with her arrangements with other Powers, and which distinctly clashes with the latter's interests. The consequence

of her policy is, and must infallibly be, an increased and increasing solidarity between Germany and Russia in North Persia. Great Britain's position in Persia has accordingly been modified by the Russo-German agreement, a fact which explains the rumours which have been started, to the effect that negotiations are about to take place between Great Britain and Germany for an understanding as regards Persia. As was recently stated from the German side, and probably with truth, no such negotiations have as yet taken place; but that does not make it any less probable that Great Britain is desirous of coming to an understanding with Germany, not only as regards the comparatively unimportant Persian question, but more especially as regards the Bagdad Railway."

After pointing out that the Russo-German agreement has rendered it highly probable that the Bagdad Railway will be concluded in about five years from now, Count Reventlow mentions that an idea has been started in England and supported in France that the southern section of the line, from Bagdad to the Persian Gulf, should be built by Great Britain, and that that portion of the line and the terminal harbour, presumably Koweit, should be under British control; and he adds that this peculiar sort of understanding is evidently regarded in England as the only natural and possible solution of the Persian Gulf question, and the only one which can be discovered between the two Governments.

Count Reventlow then enters into a long dissertation on what he calls Lord Curzon's glacié theory respecting the defence of India, which he observes could only be carried out if the whole world were British.

He then points out that even if, as seems probable, the Bagdad Railway is carried to the Persian Gulf without any British participation, it will in any case not be under German control, but will be a Turkish line, just as Koweit, or whatever terminal harbour is chosen, will be, not a German, but a Turkish harbour. He adds that neither the construction of the line by Germany nor its ultimate possession by Turkey can possibly have any political bearing on the Persian or Persian Gulf questions; it can only serve as a stimulus to both land and sea trade, and as such it should be welcome to Great Britain, whose proud boast it is that she is ever the pioneer of commerce, culture, and civilisation.

"Instead of this, we hear the demand from England that the terminal harbours of the Bagdad Railway must be British, and that the southern section of the line must be under British control! In other words, Great Britain, hitherto the loudest upholder of the *status quo* in Turkey, proposes to answer the purely commercial undertaking of the Bagdad Railway with an insidious attack on the political and territorial integrity of the Ottoman Empire. It is the plain duty of all the Powers interested in the independence and internal development of Turkey to prevent the realisation of Great Britain's designs, while Turkey, on her side, who must be fully aware of the consequences of such designs, must also put her shoulder to the wheel and make it perfectly plain to the world that the Bagdad Railway from beginning to end is in every sense Ottoman property."

I have ventured to trouble you with a full account of Count Reventlow's article, as it summarises the language which is at the present moment being held by the entire German press. It is impossible not to compare this language with the declarations so often reiterated by German statesmen that the Bagdad Railway is a purely German undertaking, and one which not only concerns the German financial houses who secured the concession, but one which has in the eyes of public opinion assumed the character of a great German national idea. It is also noteworthy that the present language should be so universally held so soon after the German Government has been discussing with that of Russia, and without, as is stated, any previous consultation with Turkey, plans for the construction of railways on Ottoman territory. The explanation is, I presume, to be found in the telegrams from Constantinople, which state that, notwithstanding the explanations given by Baron von Marschall to the Sublime Porte, public opinion in Turkey is much disturbed by the revelation of the course of the Russo-German negotiations recently published in the "Evening Times." One of these telegrams quotes the "Tanin" as stating, in an anti-German article, that the chief trouble arose from the fact that the Sublime Porte has not been informed by either Germany or Russia of what was passing between them.

The "Vossische Zeitung," which publishes this telegram, says, of course, that the excitement felt in Turkey is due solely to the malevolent action of those to whose interest it is to sow dissensions between that country and Germany, and after stating

that the only result of the Russo-German negotiations as yet known is that Russia proposes to withdraw her opposition to the completion of the Bagdad Railway, and to the building of a branch line to the Persian frontier, points out that the withdrawal of such opposition is a distinct gain and in no way a disadvantage to Turkey.

The article endeavours to console Turkey by observing that as yet the negotiations have not gone beyond the stage of "proposals," and that the mere fact that Germany is taking part in them is a sure guarantee that Turkish interests will not suffer, as proved by the manner in which Germany has handled the Cretan question.

Finally, the "Vossische" points out, and here its argument is somewhat difficult to follow, that as the German and Russian Governments have promised to publish the result of their negotiations as soon as they have been consolidated into a definite agreement, there is no ground for any feeling on the part of the Turks that they should have been consulted beforehand, or that their interests are being threatened.

I have, &c.

W. E. GOSCHEN.

[2489]

No. 39.

Mr. Marling to Sir Edward Grey.—(Received January 23.)

(No. 49. Confidential.)

Sir,

Constantinople, January 17, 1911.

I HAVE the honour to report that the Turkish Minister for Foreign Affairs informed me yesterday that the communiqué published in the "Tanin" of the 15th instant—an almost textual translation of which I reported in my telegram No. 10 of the same date—gave a substantially accurate version of the assurances given by the German Ambassador as to the scope of the negotiations in progress between Germany and Russia as a result of the meeting of the Kaiser and Tzar at Potsdam. His Excellency said that the Turkish Government had been very much disturbed by the revelations of the "Evening Times," but that the explanations received from Baron von Marschall had quite relieved them of their first suspicions that Germany had been carrying on independent negotiations with a third Power on matters of vital concern to Turkey, and had acted in a manner derogatory to her dignity as an independent State. I observed that one of the points in the agreement as reported by the "Evening Times" was to the effect that Germany undertook not to construct any railways in Asia Minor in the vicinity of the Persian frontier to the north of Khanikin; might I take it from his Excellency that Baron von Marschall's statements included a denial of this? Rifaat Pasha replied that I might certainly do so, for, as a matter of fact, the Ambassador's explanations amount to a declaration that the discussion between the two Powers had been limited to two points, viz., the recognition by Russia of the policy of the open door in Persia, and an undertaking by her for the eventual linking up of the Persian railway system with the Bagdad Railway.

I am not, of course, aware what were the exact words used by the German Ambassador to convey this impression to the Turkish Minister for Foreign Affairs, but he has certainly shown remarkable skill in wording it, even if, when taken strictly *au pied de la lettre*, it contained nothing in flagrant contradiction with the actual facts as communicated to His Majesty's Ambassador at St. Petersburg by M. Sazonow. If, however, Baron von Marschall had to make out the best case he could without sacrificing too much to mere veracity, Rifaat Pasha on his side was equally, if not perhaps more, interested in appearing to accept his explanation. Otherwise he would not have blinked the obvious criticism of the German explanations, viz., that apparently Russia was to get no *quid pro quo* for the concessions, which, according to Baron von Marschall's statements, she was making to Germany. But the truth is that the present Cabinet has so far committed itself, under the pressure of the Salonica Committee influences, to a policy of rapprochement with Germany, that for it now to cavil at or show mistrust of the lame and tardy explanations which the revelations of the "Evening Times" have forced the German Government to concoct would be a confession of error, of which the Opposition would make considerable capital. The German Ambassador must feel that he is walking on very thin ice, and it will be interesting to note how he will extricate his Government from the much more embarrassing situation which would result if an authoritative statement of the real facts, which M. Sazonow is stated to have promised, is given to the public. Meantime, the Turkish Foreign Office has to profess itself to be entirely satisfied, and the

committee press labours hard to blind the Turkish public to the real facts. The progressive changes of attitude of the "Tanin" are particularly significant. On the 12th Hussein Jahid accepted the statements of the "Evening Times" as correct, for, after commenting with suppressed irritation on Germany's neglect to consult Turkey as to the negotiations, he argues that the chief blame must after all attach to Russia, whose interests are chiefly served by the concessions made by Germany in Turkey. Two days later the "Tanin" only consents to discuss the question in the light of the German Chancellor's statements, from which, however, an only half-convinced comfort is drawn, while by the 16th the nimble pen of its editor is able to say that Baron von Marschall's explanation has served to allay the suspicions aroused by the excitement of the French and English press; while a statement made in the "Daily Telegraph" that Germany and England had agreed that the Bagdad Railway should terminate in "an English port" on the Persian Gulf is adroitly made use of to insinuate that, as Baron Marschall's assurances have entirely exculpated Germany, the real sinner is Great Britain. With equal ingenuity France is proved to be only less culpable than ourselves.

It was unfortunate that the "Times," in spite of the object-lesson of German experience to which its attention was specially called by its correspondent's telegram published in the same issue, should at this moment have published a leading article, in which, while discussing the prospects of negotiations on the Bagdad Railway with Germany, there is not even a suggestion of the necessity of any reference to Turkey ("Times" of 12th January). The opening was not lost on Hussein Jahid, who, on the 17th, after reproducing with commendable accuracy the substance of the "Times" remarks, concluded with the following:—

"The noticeable feature is that there is no mention of us. It is as though we were strangers to the Bagdad Railway, as though we were not masters of Bagdad and Bussorah or rulers of part of the Persian Gulf. In view of this open neglect of our rights, the German assurances not to enter into negotiations without the knowledge and consent of the Ottoman Government naturally take on another colour in our eyes."

"England may have great interests in the Persian Gulf; when spoken of in this form English interests cause us no apprehension; but if English interests are put forward when an Ottoman railway is under discussion, there comes involuntarily the question whether those interests are to be sought in detriment to the Ottomans. Anyhow, these discussions show that the construction of the Bagdad Railway is a vital question for us. Let us once get to Bagdad, and the question will take on a different aspect."

The majority of the vernacular press follow the same general lines, or complain that there has been a conspiracy of silence against Turkey between the four Powers, for which of course Germany bears the smallest share of responsibility, and the opportunity is taken by one or two papers to jeer at the inefficiency of Turkish diplomats and of the Foreign Minister.

It is perhaps worth mentioning that the Russian chargé d'affaires has told me with some little acerbity that the German Ambassador had not consulted him before making his explanations to the Porte, and, indeed, had never even mentioned the subject of the Potsdam discussions to him.

I have, &c.

CHARLES M. MARLING.

[2490]

No. 40.

Mr. Marling to Sir Edward Grey.—(Received January 23.)

(No. 50. Secret.)

Sir,

Constantinople, January 17, 1911.

IN my despatches Nos. 14 and 15 of the 4th January I had the honour to submit some remarks on Young Turkey's views as to the policy to be pursued in Southern Mesopotamia, and on the connection in the Turkish mind between the settlement of the Koweit question and the arrangements for completing the terminal section of the Bagdad Railway.

I notice by the Government of India's telegram of the 1st December, enclosed in the India Office's letter of the 9th December, 1910, that the resident at Bushire

advocates the necessity "from the local standpoint" of publishing our agreement with Koweit and intimating to the Turkish Government our intention of making it effective, while also eliminating the anomaly of the Turkish flag there, inducing the Turks to confine themselves to Katif and Ojair, and bringing about their withdrawal from El Bida'a, Jinnah, Umkasr, and Babujan.

I would venture to submit that, for the reasons in part set forth in my despatch No. 14 of the 4th January, the time has not yet come for such a drastic treatment of our outstanding difficulties with the Turks at the head of the Persian Gulf. As pointed out in Sir Gerard Lowther's No. 603 of the 22nd August, 1910, and in my No. 14 of the 4th instant, the Turks expect that in return for their making the arrangements we desire concerning the Bagdad-Persian Gulf section of the railway, we shall restore them to complete sovereignty over Koweit. They attach immense importance to the latter point, and, should it ever be deemed expedient to accede to the Turkish desire in the matter, such a solution might be made dependent on their resigning all claims to Bahrein, El Katr, and everything south-east of Ojair. The other assets we possess for bargaining are the "Comet" and the Sepoy guard at the Bagdad consulate-general. But as long as Turkish constitutionalism is a mere travesty of popular institutions and is associated mainly with the state of siege and secret court-martials, any settlement on the above lines, implying as it would the delivery of Koweit to the tender mercies of committee régime, would seem to be excluded.

Should the committee eventually prove unable to establish an orderly Government and the Empire be brought to a state of anarchy, as in Persia, it might become necessary to consider the expediency of openly proclaiming a protectorate over Koweit and its dependencies; but, in the meantime any whisper of our intention to adopt such a course would raise a fierce storm both here and in Central Europe. The recent report in the "Daily Telegraph," which reached here through the "Neue Freie Presse" to the effect that England was about to conclude an arrangement with Germany that the Bagdad Railway should terminate at an "English port" in the Gulf, i.e., Koweit, called forth very angry remarks in the "Tanin." The writer concludes his comments by stating that it is imperative to warn those who are working to establish foreign influence in Mesopotamia, "the oldest and most attached province of the Empire," that their schemes are vain and that "the mention of an English port in the Persian Gulf, to be established to the detriment of Ottoman interests and territorial integrity, is the height of indelicacy.

I have, &c.

CHARLES M. MARLING.

[2491]

No. 41.

Mr. Marling to Sir Edward Grey.—(Received January 23.)

(No. 51. Confidential.)

Sir,

Pera, January 17, 1911.

WITH reference to my despatch No. 920 of the 20th ultimo, I have the honour to report that the Turkish Minister for Foreign Affairs yesterday again referred to the question of the Bagdad Railway, and stated that the Ottoman Ambassador in London would be very shortly furnished with instructions to approach you on the subject. His Excellency was, however, still unable to give me any details of the proposals which Tewfik Pasha was to lay before you.

I have, &c.

CHARLES M. MARLING.

[1983]

No. 42.

India Office to Foreign Office.—(Received January 23.)

A PARAPHRASE of a telegram to the Viceroy, dated the 14th January, of which a decypher was sent to the Foreign Office on the 17th January, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 21, 1911.

Enclosure in No. 42.

The Earl of Creve to Government of India.

(Telegraphic.) P.

India Office, January 14, 1911.

TRANS-PERSIAN Railway. See my telegram dated the 30th ultimo.

Southern limit of Russian sphere is made to run from Kakh to the frontier of Afghanistan at the latitude of Gazik, for purposes of article 4 of agreement between Germany and Russia; and a modification has been made in the agreement, to the effect that concessions in Russian sphere will not be sought by Germany without an understanding with Russia being first arrived at. Practically, the result is to hand over to Germany and Russia whole of neutral section of frontier of Afghanistan. Admission on the part of Russia that Germany has an unlimited right to seek concessions in remainder of neutral zone may also be read into agreement. I shall be glad to learn your views as to how our position is affected by this. Admission of Germany to participation in line from Khanikin to Tehran is apparently contemplated by Russian Minister for Foreign Affairs, who also refuses to clear up the ambiguity in article 1 about Bagdad Railway.

[2889]

No. 43.

Sir G. Buchanan to Sir Edward Grey.—(Received January 24.)

(No. 19. Secret.)

(Telegraphic.) P.

St. Petersburg, January 24, 1911.

RUSSO-GERMAN negotiations.

My telegram No. 18 of the 22nd January.

In a conversation which I had with M. Sazonow last night I took the opportunity of impressing upon his Excellency how important it was that Russia should keep the absolute control of the line from Khanikin to Tehran in her own hands. I pointed out how little he would have to show for the concessions made to Germany with regard to the Bagdad Railway if he now conceded this point and failed also to hold Germany to the engagements which he had asked for in the original text of article 3.

M. Sazonow replied that no settlement had yet been reached, but argued that in the event of his refusing to name a date for the completion of the Khanikin-Tehran line, Germany would be justified in suspecting that its construction would be indefinitely postponed. The cost of construction, on the other hand, would be very great, and he was therefore averse to binding his Government to complete it within any fixed period. I pointed out that he would be giving Germany a footing in North Persia if he allowed her to get control of this line, and I added that such a step might eventually involve Russia and Germany in a serious conflict of interests. If an arrangement satisfactory to Russia were to result from the present negotiations, His Majesty's Government would be only too pleased, but at the same time I ventured to doubt whether too-ready compliance with all the demands put forward by Germany would achieve this desired result.

M. Sazonow expressed agreement, and said that he had told Count Pourtalès only yesterday that he could not accept any material change in the sense of article 3, though he would be willing to consent to some modification of the text. His Excellency said that a committee of military experts was to be entrusted with the examination of the whole question of these railways.

M. Sazonow mentioned later on the possibility of an arrangement whereby Russia should participate in the construction of the line from Khanikin to Tehran to the extent of 60 per cent., but I fear that his views on this question are not very sound. It was impossible, he said, to foretell at present what the final outcome of his negotiations with the German Ambassador would be.

[1773]

L

[2883]

No. 44.

Sir Edward Grey to Sir G. Louther.

(No. 25. Secret.)

Sir,

Foreign Office, January 24, 1911.

THE Turkish Ambassador enquired on the 20th instant of Sir A. Nicolson whether you had been furnished with instructions to negotiate with the Turkish Government about the Bagdad Railway.

Sir A. Nicolson told Tewfik Pasha that His Majesty's Embassy at Constantinople had been informed that if Rifaat Pasha returned to that question His Majesty's Government would be happy to hear his views and to examine any project which he might communicate to them. Your Excellency had been supplied with no special instructions, and there was no intention at present of formally negotiating, as nothing on which to negotiate had been laid before His Majesty's Government by Rifaat Pasha.

Sir A. Nicolson repeated, however, that His Majesty's Government would be very glad to hear what Rifaat Pasha had to say, as they quite appreciated that the Turkish Government took a keen interest in a railway running through their territory.

Tewfik Pasha said that in the contract with the Germans the port and terminus of the railway on the Persian Gulf had been left open owing to the quasi-independent position of the Sheikh of Koweit, and Sir A. Nicolson observed that perhaps, therefore, Rifaat Pasha contemplated discussing in regard to Koweit, and that the ears of His Majesty's Government were always open to what he might say.

I am, &c.

E. GREY.

[2304]

No. 45.

India Office to Foreign Office.—(Received January 26.)

A PARAPHRASE of a telegram from the Viceroy, dated the 18th January, of which a decypher was sent to the Foreign Office on the 19th January, is enclosed, with the compliments of the Under-Secretary of State.

India Office, January 25, 1911.

Enclosure in No. 45.

Government of India to the Earl of Crewe.

(Telegraphic.) P.

January 18, 1911.

RAILWAY across Persia.

Please see your telegram dated the 14th January, 1911.

There is advantage rather than the reverse, I venture to think, in the extension of the Russian zone for purposes of Russo-German agreement. A railway could previously be built by Germany to any point on the frontier of Afghanistan between the intersection of the Russian and Afghan frontiers and Gazik. Now, an understanding with Russia is necessary before this can be done. Our interest in the provinces adjoining Afghan frontier was expressly stated in the preamble of the agreement concerning Persia. If the object of the Anglo-Russian convention, viz., prevention of all cause of misunderstanding between Russia and Great Britain, is not to be frustrated, we have right to demand of Russia, in view of terms of preamble, that, in regions where the convention distinctly records our interests, she shall not agree to support the intervention of any third Power. It is an indisputable fact that in the rest of the neutral zone Germany has the right to seek concessions. In order to prevent disadvantageous effects to our political and strategic interests in Southern Persia, the only course open to us is to remind Germany of the assurances given by her to His Majesty's Government, and, when occasion arises, to repeat to the Persian Government our warning against granting any concessions by which our political and strategic interests in Persia may be prejudiced, and to threaten, if necessary, that steps to safeguard our interests will be taken.

[2883]

No. 46.

Sir Edward Grey to Sir F. Bertie.

(No. 33.)

Sir,

Foreign Office, January 26, 1911.

THE French Ambassador asked me last week whether any negotiations were in progress between His Majesty's Government and the Turkish Government on the subject of the Bagdad Railway.

I informed his Excellency of the instruction to His Majesty's Embassy at Constantinople referred to in the conversation between Sir A. Nicolson and Tewfik Pasha which is recorded in the despatch copy of which is enclosed.*

I am, &c.

E. GREY.

[3540]

No. 47.

Sir Edward Grey to Sir F. Bertie.

(No. 34.)

Sir,

Foreign Office, January 26, 1911.

THE French Ambassador read to Sir A. Nicolson on the 20th instant a telegram which he had received from M. Pichon reporting a conversation between the latter and the Russian Ambassador at Paris, in which he had intimated to M. Isvolsky that he hoped that M. Sazonow would keep the French Government informed of what might pass between the German and Russian Governments, so that the impression should not be produced that Russia was negotiating without taking France and Great Britain into her confidence.

M. Isvolsky quite agreed, and said that he would convey to M. Sazonow what had been said.

I am, &c.

E. GREY.

[3230]

No. 48.

Sir F. Cartwright to Sir Edward Grey.—(Received January 27.)

(No. 11. Most Confidential.)

(Telegraphic.) P.

Vienna, January 27, 1911.

I AM informed very confidentially that the course which the present Russo-German negotiations are taking is causing a growing uneasiness at the Ministry for Foreign Affairs here, who are also apprehensive in regard to what took place at the Potsdam meeting. Any possible rapprochement between this country and Russia is considered to be retarded by the uncertainty felt in this respect, and by the delay shown in concluding the negotiations; for it is determined here that the pourparlers now proceeding between Germany and Russia shall not be allowed to appear to be the origin from which an Austro-Russian rapprochement will evolve. The Ministry for Foreign Affairs here suspect M. Sazonow of playing a double game, and are not at all satisfied with him.

The German Ambassador here was asked by Count Aehrenthal why the negotiations proceeded so slowly. M. Tschirschky replied that the matters discussed required the careful consideration of Germany, as they went further than the points which had been disclosed in the "Evening News." It was thus Germany, and not Russia, who was causing the delay.

It is doubted at the Ballplatz whether the German Ambassador's reply was not made in order to conceal the fact that Russia is showing unwillingness to continue negotiating with Germany.

A report has been received from the Austro-Hungarian Ambassador in St. Petersburg stating that M. Sazonow, in reply to an allusion made by the Ambassador to the Potsdam interview, said that the anxiety shown in France on the subject would calm down sooner or later, and that Russia was mistress of her own policy.

[3278]

No. 49.

Sir F. Bertie to Sir Edward Grey.—(Received January 28.)

(No. 50. Confidential.)

Sir,

Paris, January 26, 1911.

I GAVE to the Minister for Foreign Affairs to-day an account of your conversations with the French and Russian Ambassadors, as recorded in your despatches of the 18th instant, viz., to me No. 28, Secret, and to Sir George Buchanan No. 19, Secret, omitting any reference to the possible participation of Germany in the Tehran-Khanikin Railway, and avoiding any mention of Persia and the neutral zone. M. Pichon had received a full account from the French Ambassador in London of his conversations with you. He entirely concurs in all your observations to Count Benckendorff. He has already spoken to M. Isvolsky much to the same effect, and he will do so again.

M. Pichon's opinion is that M. Sazonow, from his want of experience in negotiation and his awkwardness, has been bested by the German Government, and has committed himself in the matter of the Bagdad Railway in a manner which is detrimental to the position of France and England in further negotiations on the subject, but he agrees with M. Cambon that what M. Sazonow has done must be written off as a bad debt, and the French and British Governments must now keep closely in touch with each other and keep M. Sazonow to his promises in regard to the additional 4 per cent. Turkish customs, and prevent him from making further backslidings.

M. Pichon then told me that, having learnt from the French Ambassador at St. Petersburg that there was an inclination on the part of M. Sazonow to allow Germany to construct the railway from Khanikin to Tehran, he had instructed M. Louis to remind M. Sazonow that, in order to back up the policy of Russia and England in Persia, the French Government had refused to comply with the application of the Persian Government for the services of French advisers, and they had abstained from applying for concessions in the north of Persia, and that it was straining complacency too far for the Russian Government to expect that in return for meeting the wishes of the Russian Government the French Government could accept that Germany should be introduced into Persia as a wedge between Russia and England.

I have, &c.

FRANCIS BERTIE.

[3606]

No. 50.

*Mr. C. Greenway to Foreign Office.—(Received January 30.)**Steam-ship "Dwaika" [off Kurrachee],
January 7, 1911.*

Dear Mr. Mallet,

MY attention has been drawn to a recent "Times" telegram from St. Petersburg dealing with the German note of 1907, and the interview there anent between the Czar and the Kaiser at Potsdam. In this telegram it is stated that Russian opinion would probably not be unfavourable to the linking up of Khanikin with Tehran by a railway to be constructed at the cost of Russia.

Such a railway would, of course, by the ready communication which it would afford between Tehran and Bagdad—the German railway to which would doubtless be immediately extended to Khanikin—give a very serious blow to British trade and to British interests in Southern Persia, as it would unless a competing line be built from the Persian Gulf, tap the most populous and fertile portions of Persia, and retard indefinitely any developments of trade at the Gulf ports.

Under these circumstances it is extremely desirable, from the point of view of British interests, that the much discussed scheme of a railway connecting Mohammerah with Western and Central Persia should, if practicable, be brought to an issue at the earliest possible moment, and I am venturing to trouble you with this letter because it is probable that the matter is one that is now, in view of the recent statements by the German Chancellor, receiving the attention of the Foreign Office.

It is also one that interests me considerably, not only in my capacity of managing director of the Anglo-Persian Oil Company, but as a partner in the firm of Lloyd, Scott, and Co., which firm has now augmented its interests in the Persian Gulf trade by absorbing the Persian Gulf businesses of the firm of Messrs. F. C. Strick and Co., and also as a director of the Imperial Bank of Persia.

In these capacities I have given considerable attention to the possibilities in connection with the development of trade in the Persian Gulf, and as the result of my enquiries, and of consultations with various persons, official and otherwise, who are acquainted with the conditions of the country and of its commercial potentialities, I have come to the conclusion that the construction of a railway from Ahwaz on the Karun, via Shustar, Dizful, and Burijird, to, say, Sultanabad, which would give easy road communication to Kermanshah, Hamadan, Ispahan, and Tehran, would probably be the most effective and economical means of protecting British interests in the Gulf, and at the same time be the most complete block to German aggression, via the Bagdad Railway.

Such a railway would not be costly. I have not maps or figures before me, but the cost would certainly not be more than 2,000,000*l.* to 3,000,000*l.*, and I am assured by officials and others who are well acquainted with the country (1) that it would not only tap practically the whole of the trade now carried between Persia and Bagdad (*i.e.*, practically nullify the objective of the proposed Russo-German Khanikin line), but also open up a large and new export trade in cereals from the districts around Burijird, Kermanshah, and Hamadan, which is now quite impracticable owing to the prohibitive cost of transport, and which would not even be open to the suggested Khanikin-Bagdad route because of the high river freight from Bagdad to the Gulf, added to the rail and/or road freight to Bagdad; (2) that it would in all probability be highly remunerative, and (3) that it would practically ensure to the British sphere the whole of the trade of Central and Northern Persia not secured by the Caspian, and also open up in competition with Russia a large amount of trade in British cotton goods and other manufactures.

The capital for this railway, however good its prospects may be, cannot, of course, be obtained from ordinary channels without a guarantee of some sort, because of the insecurity of the country. In the case of the Anglo-Persian Oil Company this guarantee was provided by the Burmah Oil Company because the potentialities of the oil concession were considerable and the benefits accrued to them only. In the case of the suggested railway, however, there are no such inducements, and consequently the guarantee must come from a Government source. I have been given to understand that the Russian Government are disposed to guarantee the interest on the capital required for the Russian portion of the proposed trans-Persian Railway, and according to the "Times" telegram they are willing to do the same for the Khanikin line.

Is there any chance of this difficulty being similarly overcome, either directly or indirectly, in the case of a British Ahwaz-Sultanabad Railway in the event of a concession from the Persian Government being obtainable?

If so, the powerful financial groups which I represent would, I am sure, give their heartiest support to the furtherance of this scheme, and I could take up the matter on my approaching visit to Tehran where I expect to arrive at the beginning of March. Presumably there would be little difficulty in securing the concession, or the Russian assent thereto, as a *quid pro quo* for British assent to the Khanikin concession.

Please do not trouble to reply to this letter otherwise than by communicating your views to Sir George Barclay, whom I shall be calling upon immediately after my arrival.

Mr. Norman has doubtless mentioned to you that I am visiting Tehran with the object of endeavouring to bring to a conclusion our outstanding negotiations with the Persian Government for the loan of 100,000*l.*, and the mining concession, and also of settling the various questions in dispute in connection with telephone line, barges on the Upper Karun, customs duties, &c. At the same time I shall also arrange for the appointment of a permanent agent for the company in Tehran—probably Mr. Brown, of the Imperial Bank of Persia—in pursuance of Sir George Barclay's recommendation.

I am, &c.

C. GREENWAY.

[3433]

No. 51.

Sir G. Louther to Sir Edward Grey.—(Received January 30.)

(No. 62.)

Sir,

Pera, January 23, 1911.

RIFAAT PASHA said to me to-day that he and the Government were anxious to do what was possible with a view to bringing about a disappearance of the policy of "bouderie" between Great Britain and Turkey. His language was similar to that

[1773]

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used by him to Mr. Marling, as recorded in his despatch No. 918, Confidential, of the 20th ultimo.

I said I was entirely with him in the matter, but I should like to have some definition of what he meant. There had been no sulking on our part. It was true that we had had to make some serious complaints of the way our subjects had been treated at Bagdad and elsewhere by the officials of the new régime, but I have always endeavoured to make the settlement of these cases as easy as possible for the Turkish Government. We had also had to complain of certain acts of aggression and breaches of the *status quo* in the Persian Gulf, and it yet seemed doubtful whether the promises of the Porte had been carried out in this direction. It was the Turkish press and in some cases Turkish members of Parliament who had used language far from friendly to Great Britain, and this had doubtless left an unpleasant impression in England, but I could not see of what the Turkish Government had to complain. Did his Excellency allude to the loan which, in circumstances to which it was unnecessary now to return, had not been concluded in England? I could not imagine where Turkey could find a grievance against us. If he alluded to the paucity of British financiers, concessionnaires, and competitors for orders who now came to Turkey, I must admit that there had been some disappointment felt by such. Many had been called, but few had been chosen. They had found business habits here somewhat cumbersome, infinite delays, and in the end the margin of profit so small that they were hardly compensated for the expense and trouble, even if successful, in obtaining some small orders.

Rifaat Pasha was unable or unwilling to be more precise, but he said that the friendship of the mass of the people of this Empire had always been very marked in favour of Great Britain, and any Minister who wished to initiate an anti-British policy could not live a day. I replied that I had always believed that this was the case, and therefore it struck me as especially extraordinary that the Government had shown so little energy in settling matters in which our right was unquestioned. After some severe criticism of General Nazim, who, he said, imagined that the clock had been set back fifty years and had been responsible for all the trouble at Bagdad, his Excellency said that he thought the time had come for the conclusion of some arrangement regarding the Bagdad Railway. I replied that I was convinced you would be glad to hear this, as we had been awaiting his Excellency's proposals since last summer, when on two occasions he led me to believe that he was on the point of submitting them. After this arrangement was concluded his Excellency said he thought the Persian Gulf questions, to which we seemed to attach importance, would be easy of settlement. I asked his Excellency whether I could give you any indication of the lines of the proposals he intended to make regarding the Bagdad Railway, but he replied that further consultation with the Grand Vizier was necessary, and he hoped to be ready with them very soon. In regard to this matter he said he was quite sure that we had no intention of discussing matters with Germany without the knowledge of the Ottoman Government. I said that this was so, and in proof of this I reminded him that I had more than once last summer told him that we were expecting the proposals he had promised us.

Though Rifaat Pasha has been speaking to Mr. Marling in a similar strain, there can be little doubt that the recent publication of the Potsdam negotiations has had the tendency to induce the Turkish Government to desire to negotiate directly with us, and to show the people of the country that arrangements of this nature cannot always be concluded behind their backs.

His Excellency observed that the Potsdam publication had produced a very painful impression, and, although Baron Marschall had stated positively that there was no truth whatever in § 3 of the published version, the Turkish representatives abroad had led his Excellency to believe that in the main the published version represented what had taken place.

His Excellency made no reference to any absence of a Russian denial here.

I have, &c.

GERARD LOWTHER.

[3401]

No. 52.

Sir G. Buchanan to Sir Edward Grey.—(Received January 30.)

(No. 25. Secret.)

Sir,

St. Petersburg, January 26, 1911.

THE conversations which I have had with the Minister for Foreign Affairs during the past fortnight, and the language held to me by the Emperor on the Orthodox New Year's Day, confirm me in the belief that neither His Majesty nor his Foreign Minister contemplate giving any new direction to Russia's foreign policy. More than this it would be dangerous to say at the present moment, as it is impossible to predict what will be the final outcome of the negotiations now proceeding between M. Sazonow and the German Ambassador. Those negotiations are being protracted to an extent which nobody foresaw when the former returned from Potsdam, jubilant at the concessions that he had obtained at such a trifling cost from Germany. It then seemed a very simple matter to record the respective concessions and counter-concessions in a diplomatic act, and when I first arrived at St. Petersburg he spoke of three weeks as being sufficient for the purpose. Nearly two months have now elapsed, and the end seems as far off as ever. It would indeed almost appear as if the language held by the German Chancellor at Potsdam has been purposely pitched in the softest of keys, so as to encourage M. Sazonow in the belief that he was about to score a diplomatic success, and thus to induce him to enter into negotiations from which he could not withdraw without risking the loss of his personal prestige. His Excellency, however, soon discovered to his cost that the assurances which he had given in the course of his conversations with M. Bethmann-Hollweg and M. Kiderlen were being given rather a larger interpretation than he had meant them to convey.

When I spoke to his Excellency, early in December, of the engagements which he had taken under article 2 of the draft agreement, he told me that before he went to Potsdam the relations between the two Governments had been very strained, and that he had lived in daily dread of learning that Germany had secured the concession for the Khanikin-Tehran Railway. In order to avoid this he had been forced to meet Germany's wishes with regard to the Bagdad Railway, though he had been careful not to pledge himself as to the term in which the latter was to be linked up with the future North Persian Railway system. It is curious to compare this statement with the language which he has recently held now that Germany is insisting that a definite term shall be fixed for the construction of the line connecting Khanikin with Tehran. Germany, he explained to me a few days ago, was naturally anxious to secure an "open door" by which her trade might enter Persia, and could not be put off with a vague promise that the railway necessary for this purpose would one day be built. He could not, consequently, refuse to specify the date at which this line should be commenced, but as its construction would entail a very heavy expenditure, he did not wish to pledge the Russian Government to commence building operations as soon as the line from Sadijeh had reached Khanikin. Why not therefore let the Germans themselves build the railway which was to give them access to the Persian markets? Such an arrangement would, he thought, be more acceptable to public opinion in this country than the expenditure of Russian capital on an undertaking which could only promote German interests.

I pointed out to his Excellency that the country which built the railway would control the railway. I also repeated to him what you had said to Count Benckendorff respecting the danger of the line being used in times of pan-Islamic excitement for the transport of Mussulman forces, and reminded him that when I had mentioned the subject to him on a former occasion he had told me that the railway would be virtually under the control of Russia. I added that if he now handed over the railway to Germany, and if he further allowed article 3 of the draft agreement to be amended in such a way as to enable Germany to evade her obligations not to promote the construction of any railways to the north of Khanikin, I failed to see what he would have obtained from Germany in return for all the concessions which he had made with regard to the Bagdad Railway.

I ought perhaps to explain that, in order to avoid useless repetition, I am summarising the various conversations which I have had with M. Sazonow during the past fortnight, and that his Excellency is very prone to shift his ground. While he has consistently treated the danger to which you called Count Benckendorff's attention as a purely imaginary one, he has not been equally consistent in the arguments to which he has had recourse in order to disprove its existence. More than once he has

contended that neither the Sadijeh-Khanikin nor the Khanikin-Tehran Railways will ever exist except on paper, and that all that the German Government is aiming at is to obtain some assurance from Russia which will satisfy public opinion at home that everything is being done to safeguard Germany's economic interests in Persia. On one occasion, however, he adopted an entirely different line of argument. Russia, he said, was close by in the Caucasus, and we therefore had nothing to fear, as on the first indication of such a danger she would at once send her troops to Tehran. This remark is very characteristic of the light-hearted manner in which his Excellency regards the very serious consequences which the engagements that he is now about to take may eventually entail. It was in much the same spirit that he recently said to me that we could always oppose the construction of the final section of the Bagdad Railway by sending ironclads to the Gulf.

In the conversation which I reported in my telegram No. 19, Secret, of the 24th instant, I endeavoured once more to impress on him the importance of keeping the absolute control of the Khanikin-Tehran Railway in the hands of Russia. Were the Indian Government, I said, to learn that Germany was to acquire the right to construct and control that line, they would be far less likely to take a favourable view of the trans-Persian railway scheme. It was, moreover, surely not to the interests of Russia to give Germany a footing in North Persia which might undermine Russia's influence at Tehran and occasion serious friction between the two Empires. His Majesty's Government, I added, would be only too glad were the negotiations now proceeding to result in an arrangement satisfactory to Russia, but I ventured to doubt whether such a result would be obtained by a too ready compliance with all of Germany's demands.

M. Sazonow did not attempt to rebut these arguments, and acquiesced entirely in my last remark. He had, he said, informed the German Ambassador on the previous day that, while ready to consider an amended text of article 3, he could not entertain any proposal that would in any way weaken the material effect of that article. It is satisfactory to know that on this point, at any rate, M. Sazonow proposes to take a firm stand, and it is not improbable that pressure is being brought to bear on him by the military authorities, who will, as he tells me, have to examine the railway question from the strategic point of view. As regards the question of the control of the Khanikin-Tehran line, I fear that his Excellency is far from sound, though the last thing which he said to me on the subject was that it might be possible to arrange that Russia should participate to the extent of 60 per cent. in its construction, and thus retain the predominant control.

From the assurances which M. Sazonow has given me there can, I think, be no doubt that his Excellency has not in any way committed himself in the question of the 4 per cent. increase of the Turkish customs dues. He has always told me that the statement made in article 1 of the draft agreement that no pecuniary sacrifice was to be required from Russia was specially inserted in order to leave her a perfectly free hand with regard to this question. He has also informed me that he had explained at Potsdam that, as this was a question which concerned Russia's general foreign policy, it could not form one of the subjects of discussion between the two Governments. He has more than once tried to argue, in defence of the engagement which he has taken not to oppose the realisation of the Bagdad Railway, that neither England, Russia, nor France has ever directly opposed that scheme, and that they have only offered it a negative opposition by declining to give it their financial support. As the proposed increase in the customs dues cannot be enforced without their consent, they still possess, as he believes, a very effective weapon for opposing the completion of the railway to the Gulf. He mentioned to me the other day that he had heard that there was an English project for a railway from Mohammerah to Khanikin, and he strongly advised us to give it our support. It could, he believed, be built entirely on Persian territory, and its construction might prove fatal to the continuation of the Bagdad Railway beyond that town. I said that I had never heard of the projected railway, but that I rather doubted whether, if it were constructed, the Germans would ever renounce the idea of bringing the Bagdad Railway down to the Gulf.

I have, &c.

GEORGE W. BUCHANAN.

P.S.—Since writing the above Mr. O'Beirne has called my attention to his despatch No. 436, Confidential, of the 2nd November last, in which he reported the suggestion made by M. Isvolsky that Russia should agree that, if she did not construct the Khanikin-Tehran Railway within a specified number of years Germany should regain

her liberty of action in the matter. As I was dining with M. Sazonow last night I asked him whether he thought it would be possible to amend article 2 in the sense that if, when the line from Sadijeh had reached Khanikin, Russia had not commenced the construction of the Khanikin-Tehran line, she should come to an understanding with Germany for a joint construction of the latter railway. M. Sazonow replied that he had only yesterday been considering whether an arrangement of this kind might not be possible, but that he rather doubted whether Germany would consent to it.

G. W. B.

[3414]

No. 53.

Sir E. Goschen to Sir Edward Grey.—(Received January 30.)

(No. 19.)

Sir,

Berlin, January 27, 1911.

THE German press continues to be very active on the subject of the Russo-German negotiations and the version of the Russian proposals published in the "Evening Times." The gist of most of the articles written on the subject is that the negotiations have without doubt gone very much in favour of Germany; that, whatever the French and English papers may write, this solid fact cannot be altered, and that the only hope left to those responsible for the misrepresentations and inventions published in those newspapers is that they may be able to create mistrust to Germany in quarters naturally interested in what has passed between the Russian and German statesmen.

The German press has in fact displayed an almost feverish anxiety to allay any feeling which these negotiations may have produced amongst the Turks, and to show that if such a feeling exists it is entirely due to the manoeuvres and the misrepresentations of the French and British, and to a certain extent the Russian press.

As you will see from the enclosed translation of a leading article of the "Cologne Gazette," which has every appearance of being officially inspired, this note is still being sounded, although pains are taken to show that owing to the frank explanations given by the German Ambassador at Constantinople these manoeuvres have failed, and the uneasiness felt by the Turks has nearly if not entirely disappeared.

The article is also not without interest from the point of view of the arguments which it produces to show that while the Bagdad Railway is and must always be an internal Ottoman concern, Germany is interested in it and feels bound to take whatever steps she can to push it on, partly because it offers valuable openings for German trade and commerce, but also because it will strengthen Turkey in regions where she has hitherto been weak, and so contribute to the consolidation of the new Turkish régime—a matter of great importance both to Germany and the world in general. The article adds that this is the manner in which this question is regarded by sensible people in Germany, and that it is to be hoped that there will be no more nonsense talked of Germany's territorial and other ambitious schemes in Mesopotamia which are pure moonshine, and which owe their birth almost as much to the irresponsible chatter of German chauvinists as to the malevolence of the foreign press.

I have also the honour to enclose a translation of an article in the "Frankfurter Zeitung" of yesterday. I am unaware whether this article is inspired or not; but it may in any case be of some interest to you as being an example of the way in which the question of the accuracy and the origin of the "Evening Times" publication is being treated in the German press. If the article does emanate from the Imperial Foreign Office it is interesting to note the statement which it contains, to the effect that when the real agreement comes to be published it will be seen that it is far more favourable to German interests than the apocryphal draft proposals would lead one to suppose.

I have, &c.

W. E. GOSCHEN.

Enclosure 1 in No. 53.

Extract from the "Kölnische Zeitung."

(Translation.)

GERMANY AND TURKEY.

THE negotiations of the Turkish Chamber as to the much-discussed communication by the "Evening Times" of the contents of the Potsdam agreement have had a thoroughly satisfactory issue. The Minister for Foreign Affairs was able to reduce the reports of the English paper to their real importance, and to prove that German diplomacy never thought of challenging the just claims nor injuring the susceptibilities of the Ottoman people. It is to be hoped that public opinion in Turkey will now be reassured; it was no doubt seized by a great excitement produced by the action of certain European papers in systematically inciting the public against Germany. Our good friends must be congratulated on the cleverness which they displayed. The increasing national feeling that is being displayed in Turkey was bound to be wounded by the news that Germany had come to an agreement with Russia about the internal affairs of Turkey. This piece of news was intended to disturb the good relations existing between us and Turkey. Only it was once more proved that lies have short legs, and not only the Porte but also the cooler political circles in Constantinople could reassure themselves that Germany had not been desirous of interfering in matters which do not concern her.

In article 3 of the supposed Russo-German agreement Germany was supposed, according to the "Evening Times," to have undertaken to build no railways in another zone except the line from Bagdad to the Russian frontier and that from Khanikin to North Persia, and to lend no material or diplomatic aid to similar undertakings in that zone. To put this somewhat obscure reading in the right light, our good friends declared that the zone in question was Turkish East Asia Minor. A look at the map will show that this territory does not at present possess any railway lines. Neither Erzeroum, the important frontier fortress facing towards Russia, nor Erindyan, the westerly and most important garrison of this part of the world and, according to the old division of the army, the seat of the general command of the IVth Army Corps, are joined either to one another or to the coast. No railway runs from the large harbours of Samsun and Trebizond to the interior, and the last station in the west is the distant Angora, where the Anatolian Railway ends. Under the old régime, the head of which, Abdul Hamid, was altogether opposed to railways running along the coast or terminating in harbours, Russia succeeded, by energetic pressure, in forcing the Porte to an agreement prohibiting the construction of any railway in the eastern basin of the Black Sea unless the construction were carried out by Turkey herself or by Russian enterprise. In other words this meant that all railway construction was impossible; the Porte had not the means and Russia was not inclined to assist in the laying of railways which would strengthen Turkey from an economical, political, and military point of view. By the downfall of absolutism a new situation has been created. Young Turkey is now busying herself with preparatory works for railways with the aim of developing the land near the Black Sea and of forming a connection through Asia Minor with Angora and the capital. By this means provinces containing rich mineral treasures would be placed in a position to send their products to the international market, out of the way districts would be drawn nearer to the seat of central government, and troops could be quickly dispatched from anterior Asia Minor to the eastern frontier who at present would spend several weeks on the march, and in the event of a conflict with Russia would in all probability arrive too late.

There is, of course, the aforesaid agreement in existence between Turkey and Russia. Germany has neither the right nor the desire to trouble about obligations which the Porte undertakes for Turkey. Such questions must be decided only by the Ottoman Government's consciousness of its own power, and it may be assumed that Young Turkey would at the present time not conclude such a treaty. In any case, however, the subject is one which does not concern us, and calm reflection must from the outset have made all alarmist reports concerning German intervention appear exceedingly doubtful. The Ambassador, Baron von Marschall, was also in a position to state to the Turkish Minister for Foreign Affairs that there can be no question of such intervention, and, after the discussions in the Ottoman Chamber have been concluded, a calmer view will, we hope, prevail. But one must not count upon it too confidently, for the agitation against Germany has been carried on among the Turkish people for

many years so systematically and with such invidious methods that it is very difficult to put an end to it. In this connection it may be remarked that the Anatolian Railway, which at present ends in a branch in Angora, has no concession for a continuation eastwards to Sivas, Erindyan and Erzeroum, as is often supposed. The truth is that this line in 1893, at the time that permission was granted for building the line from Eski Shehir to Konia, received also a concession for the section from Angora towards Kaisariéh, which lies to the south-east. This section is about 400 kiloms. long, and the kilometric guarantee is fixed at 17,600 fr. Whether this line will be built in a measurable space of time remains to be seen. This section is not included in the Bassin de la Mer Noire mentioned in the Russo-Turkish Convention, and therefore German diplomacy has no reason for intervening in the interests of German capital in the Pontine region.

In the case of the Bagdad Railway also Germany is only justified in watching over the continuation of the building operations in so far as she ensures the protection of German capital, which is so largely interested in this gigantic undertaking. We have explained again and again that the Railway Company is an Ottoman company, which is subject to Turkish law. The building is an internal concern of Turkey's. Every extra kilometre added to the line of rails which stretches out from Asia Minor towards Mesopotamia and the Persian Gulf means more strength to the power of the Porte in districts where her force up to the present has rested on but weak foundations. Waste lands, which were formerly thickly populated, can again be brought under cultivation, the mobilisation and transport of troops will be made easier, the whole Empire's power of defence and offence will be raised. All these things interest Turkey, but Germany, on the other hand, is only interested to the extent as to how far the new Ottoman State will be capable of developing and assuring her independence and how she will acquire the necessary strength for that purpose. The stupid talk of German schemes of colonisation in Mesopotamia, which has unfortunately been aggravated by much talk on the part of irresponsible and for the most part badly informed German chauvinists, has gradually perished of its innate absurdity, and nothing but malevolence can revive it. In spite of this, German diplomacy is bound to promote with all its strength the extension of the Bagdad Railway, because it offers peaceful participation to our trade and industry, and it must be the task of our Government to open doors hitherto closed to German exports and German capital. In this lies the German interest in overcoming the difficulty, on which the construction depends, and a policy of land acquisition or of obtaining undue influence in those districts to the detriment of Turkish rights is naturally out of the question.

Enclosure 2 in No. 53.

Extract from the "Frankfurter Zeitung" of January 23, 1911.

(Translation.)

WHEN, on the 6th January, that mysterious publication as to the alleged wording of the Russo-German Potsdam agreement appeared in the "Evening Times" the object of the trick was at first not quite clear even to those who immediately recognised the clumsy forgery. Was it merely a question of a journalistic sensation with no other object than momentarily to rescue a little known paper from oblivion? Or did some interested diplomacy play a false card, in order to darken the clearness of the situation? All signs pointed to Paris, where the semi-official "Agence Havas" quickly put the false coin in circulation through the Paris papers, and all explanations were excluded except the interpretation of the "Novoe Vremya," according to which German diplomacy and the German semi-official press has resorted to this premature publication of the agreement in defiance of the understanding come to in order to exercise pressure on the still hesitating Russian neighbour. The veil was lifted a little when it became possible to observe the effect of the sensation and to draw conclusions from it; immediately after the "Evening Times" publication there appeared in the "Tanin," which is in close touch with the Turkish Government, articles which not only subscribe to the authenticity of the text of the Russo-German agreement, but, moreover, gave to that text in some places an interpretation not justified by the wording. The articles showed a serious feeling of alarm lest Turkish interests might be adversely affected by the agreement, and a feeling of discontent that Germany was negotiating with a third Power about Turkish interests without obtaining Turkish consent. It was now clear: those who were jealous of the Potsdam agreement had laid the train in such a way that

the London spark was bound to cause an explosion in Constantinople, where it was evidently intended that a great storm should be raised by means of which Russia's inconvenient desire to enter into peaceable relations with Germany was to be frustrated at the last moment. Germany and the Porte were equally interested in clearing up these misunderstandings, and eventually Russia showed herself loyal to this policy, and placed herself on the side of her Potsdam partner. The following will show that this affair is now at an end.

The short and categorical denial of the German Government, which establishes the inaccuracy of the London communication, failed to bring about the desired effect, and the Turkish press, influenced by the comments which continued to appear in the English and French newspapers, did not cease from complaining that the military interests of the Porte were being threatened by the alleged refusal of Germany to participate in the construction of the North Anatolian Railway. The German Government thereupon caused an explanation to be given in Constantinople to the effect that the negotiations with Russia had merely dealt with the construction of railways in Persia and the connections to be made with the Bagdad Railway and that in spite of assertions to the contrary, no agreement was being prepared with England on the subject of Mesopotamia for the simple reason that Mesopotamia is a Turkish province. The Turkish Government was thoroughly satisfied with this explanation, all the more as the Russian Foreign Minister, M. Sazonow, made a similar communication to Turkhan Pasha, the Turkish Ambassador in St. Petersburg, regarding the nature of the Potsdam agreement, and as England confirmed the German view of Mesopotamia. These official statements, however, which proved how valueless were the rumours which had been spread abroad, although they were brought to the knowledge of the public by the Turkish semi-official press, were not regarded as definitive by the parliamentary majority, i.e., by the party of "Union and Progress," and constant attempts were made to force the Government by means of questions in the Chamber to give more than one answer in Parliament on this subject. But from the standpoint of truth, which is precisely what Germany and German interests desire, there is no objection to these proceedings. The debate took place on Saturday and confirmed in every particular what had already been known from the official steps taken. Since therefore the hostile combinations have been repeatedly entirely annihilated, and since the Turkish Chamber without a debate declared itself satisfied with the explanations of the Government, it would be absolutely idle to examine the separate lies all over again. Since, however, to-day's "Temps," in discussing the debate in the Turkish Chamber, once more makes an attempt to insinuate confusion and contradictions into the explanations given by Herr von Marschall, German Ambassador in Constantinople, we must examine the matter shortly. According to the "Evening Times" the written record of the Potsdam agreement is said to contain four articles. The first obliged Russia to withdraw all opposition to the German Bagdad scheme generally; the second guaranteed the junction of the Bagdad Railway with the future Persian railway system by means of a promise on the part of Russia to construct the line from Sadije to Khanikin on the Turkish-Persian frontier; the third contained the German renunciation with regard to railway construction in North and South Anatolia; the fourth the recognition of the Russian hegemony in North Persia, and Germany's renunciation of all concessions in that region. According to the report of "Havas Agency," the Minister for Foreign Affairs, Rifaat Pasha, states that Herr von Marschall has characterised in particular articles 2, 3 and 4 of the alleged text as incorrect, whilst the "Temps" correspondent in Constantinople is only able to announce the news of a *démenti* respecting articles 3 and 4; it is more than unnecessary to make such differences in the judgment and criticism of a document, which has been generally recognised as wrong; but it can be stated generally that some of the articles are forgeries of the first water, the others forgeries of an inferior degree.

For Turkey the net result of the long discussions over the shady action, whose prompters one can only guess at and not actually name, has been the conviction that Germany will do nothing, by favouring the Russian position on the Turco-Persian frontier, to endanger the military safety of Turkey, and to render difficult the possibility of a rapid and general mobilisation of that district; the Porte may further be assured that Germany gives that respect to the sovereign rights of Turkey in all territories belonging to her, which a constitutional State claim, and that no efforts on the part of Germany to bring under foreign influence the frontier territories of the Empire, which were only disunited under Abdul Hamid, can be reckoned on, nor can her help be counted upon for such a purpose. German public opinion will, however, if doubts have hitherto existed, as to whether Germany has not gone a little too far in her concessions to Russia, especially in Northern Persia, be able to establish with

satisfaction the fact that at any rate the stipulations given by the "Evening Times" are incorrect, and that the real sense of the Potsdam agreement admits of far more favourable prospects for German interests.

If the value to Germany of the Potsdam agreement were to be estimated by the number of attempts that have been made to destroy it, we should be apt to take an exaggerated view of its importance, and to wax too enthusiastic over our diplomatic talents and successes. We must be careful, the more we become convinced that our policy has not been badly carried out, to guard ourselves against showing too much exuberance, which would make us appear too silly and too presumptuous. If there is an inclination in certain quarters where the new direction taken by Russian foreign policy is not looked upon with favour, to invent false diplomatic documents, hoping thereby to gain diplomatic successes, this is not an inclination that we share. Our one aim and object is to give a true account of the Potsdam interview; and German and Russian diplomacy, if we are correctly informed, is occupied with the same task. In Russia this work is being disturbed by the intrigues of a party to whom a teutonophobe policy appears to be the principal of all Russian policies; it must, however, be acknowledged that M. Sazonow, who evidently has Russian interests more at heart than the members of that clique, has remained true to the line of policy upon which he embarked on first taking office. There is therefore no reason to doubt the fact that the "Evening Times" and the Paris morning papers will very shortly be in a position to publish the text—and this time the real text—of the Potsdam agreement. Till then let us confine ourselves to criticism, and rest content with a feeling of satisfaction, so that we can keep our heads even if the negotiations prove abortive.

[3623]

No. 54.

Sir G. Buchanan to Sir Edward Grey.—(Received January 30.)

(No. 22. Secret.)

(Telegraphic.) P.

St. Petersburg, January 30, 1911.

RUSSO-GERMAN negotiations.

I was told to-day by M. Sazonow that, while he himself was anxious to secure Russian participation in the construction of the Tehran-Khanikin line to the extent of 60 per cent. of the undertaking, the Minister of Finance refused to take any financial responsibility for its eventual construction. Should M. Sazonow fail to secure Russian participation to the extent of 60 per cent., he will endeavour to make some arrangement on the lines referred to in the postscript to my despatch No. 25, Secret, of the 26th January. His Excellency told me that Germany is willing either to build the line herself, to construct it in conjunction with Russia, or to allow Russia to build it unaided. In the event of Germany building the line alone, she would give Russia the right to purchase it when completed, leaving the settlement of the price to be paid to arbitration.

In discussing the terms of article 3, the German Ambassador had told M. Sazonow that Germany, under the terms of the concession for the Bagdad Railway, had pledged herself to construct certain railways in connection with the main line. M. Sazonow explained to me that one of these branch lines was to run to Diarbekir and Kharpout from a point on the Bagdad Railway. He had not had time to examine the others, but if they also ran parallel to the Russian frontier line, it might be possible for him to except them from the general undertaking to be given by Germany as to the construction of railways in those regions. It would be impossible, however, for him to make any exceptions in favour of railways running towards the Russian frontier.

[2460]

No. 55.

Sir Edward Grey to Sir G. Buchanan.

(No. 31. Secret.)

Sir,

Foreign Office, January 31, 1911.

I HAVE received your Excellency's despatch No. 12, Secret, of the 10th, and telegram No. 18, Secret, of the 22nd instant, reporting conversations with the Russian Minister for Foreign Affairs on the subject of the negotiations now in progress between the Russian and German Governments on certain questions connected with the Near East.

[1773]

O

As regards the reasons given to you by M. Sazonow for the inclusion in the part of Persia dealt with in the draft agreement of a portion of the region left neutral by the Anglo-Russian arrangement respecting Persia, you should inform his Excellency that I appreciate the reasons which have led him to follow this course, especially as I rest assured that the Russian Government would not support the requests of third parties for concessions in that region, nor even consent to such requests being made without previous consultation with His Majesty's Government.

I am, &c.
E. GREY.

[3724]

No. 56.

Sir Edward Grey to Sir G. Buchanan.

(No. 32.)
Sir,

Foreign Office, January 31, 1911.

COUNT BENCKENDORFF asked me to-day whether I had any further information as to the Russo-German negotiations.

I said that I had now heard that M. Sazonow thought it possible that he might be pressed by Germany to agree to make the Khanikin connection within a definite time. If this was so it might be convenient to ease the financial burden which would be imposed on Russia by getting Germany to undertake the construction of the line from Tehran to Khanikin. Germany had now denied categorically to the Turkish Government the provision of article 3 of the draft which had become public, binding her not to make any railways in Asia Minor north of Khanikin.

The urgency of preventing Germany from getting concessions for railways in Northern Persia had been pleaded by M. Sazonow originally as the necessity for promising the Khanikin junction. The promise of Germany not to apply for railway concessions in Northern Persia, and to refrain from making railways north of Khanikin in Asia Minor, had appeared to be the *quid pro quo* which Russia received for the concession she had made. It looked now as if the *quid pro quo* was disappearing altogether, and generally the negotiations seemed to be in a very fluid state.

Count Benckendorff was evidently not satisfied by the prospect, and asked me whether I had said anything at St. Petersburg.

I replied that I felt that the construction of railways in the northern part of Asia Minor and in the north of Persia was a matter which concerned the Russian Government much more than us. The point which I regarded as one for me to press at St. Petersburg was that the Russian Government should keep themselves free to give us support, when necessary, to secure reasonable terms respecting the Bagdad Railway. The essential thing in this connection was the consent to the 4 per cent. increase of Turkish customs dues. It would be disastrous if M. Sazonow were to give away this in the course of his negotiations.

Count Benckendorff said that he assumed that it was out of the question that this point should be given up.

I am, &c.
E. GREY.

[3856]

No. 57.

Sir F. Bertie to Sir Edward Grey.—(Received February 1.)

(No. 4. Confidential.)
(Telegraphic.) P.

Paris, February 1, 1911.

RUSSO-GERMAN negotiations.

In the course of an interview with the Minister for Foreign Affairs to-day his Excellency showed to me a telegram which he had received from the French Ambassador at St. Petersburg, reporting a recent conversation with M. Sazonow. According to this account M. Sazonow informed M. Louis that he hoped it would be found possible to conclude an agreement with Germany. The Russian Government, however, considered that on military grounds they must insist as a *sine qua non* on the maintenance of article 3 of the draft agreement, by which Germany undertook not to construct railways between the Bagdad line and the Russian and Persian frontiers, nor to support applications for the construction of such lines. M. Sazonow further

said that exaggerated statements had been made as to the importance of Russian commerce in the north of Persia; that there was no intention on the part of the Russian Government or of the Duma of repeating the blunders connected with the Manchurian and Eastern Chinese Railway, and they would not be prepared to make pecuniary sacrifices to secure the construction of the Tehran-Khanikin Railway; that as the Germans regarded this railway as an essential part of the agreement it would probably be found advisable to permit its construction by Germany, or to reserve a 60 per cent. share in it for Russia, which would give to the Russian Government a controlling interest in the line. This latter alternative would be the best if means could be devised for finding the funds necessary without involving any charge on the Russian Government.

M. Pichon appears to be much perturbed at the trend of these negotiations between Germany and Russia, and he told me that he intended to make representations to the Russian Ambassador on the subject. His view is that should it be found necessary to allow Germany to participate in the construction of railways in Northern Persia, she should only be permitted to do so on condition that other Powers, including France, also co-operated.

[3940]

No. 58.

Sir F. Bertie to Sir Edward Grey.—(Received February 1.)

(No. 5. Confidential.)
(Telegraphic.) P.

Paris, February 1, 1911.

RUSSO-GERMAN negotiations.

With reference to my immediately preceding telegram of to-day's date, I have the honour to report that I met M. Pichon at a dinner-party this evening, when he told me that he had read to the Russian Ambassador the telegram from M. Louis reporting the conversation which he had had with the Russian Minister for Foreign Affairs. M. Isvolsky was, however, not able to furnish any satisfactory explanations in the matter. M. Pichon reminded him that, with a view to supporting the policy of Russia, the French Government had abstained from putting forward any applications for concessions in Northern Persia, and had refused to recommend Frenchmen as advisers for the Persian Government services, and he said that he would not be able to justify before Parliament the attitude adopted by the French Government if their abstention were to result in the introduction of Germany as a wedge between Russia and England. M. Sazonow, he added, had failed to communicate with the French Government in any way before he committed himself with the German Government, and the present position of affairs was most unsatisfactory. His Excellency suggested to the Russian Ambassador, as a personal idea on his part, that it would be better that the Khanikin-Tehran line should be constructed by a Russian, German, French, and British combination rather than that it should become a purely German or a Russo-German undertaking.

In regard to this suggestion I stated to M. Pichon that the Anglo-Russian agreement precluded us from obtaining concessions in Northern Persia, and that in the event of our joining in an international combination such as he had mentioned, it might be expected that in Southern Persia we would admit Russia and Germany to participate in the construction of railways.

[3858]

No. 59.

Sir G. Buchanan to Sir Edward Grey.—(Received February 1.)

(No. 23. Secret.)
(Telegraphic.) P.

St. Petersburg, February 1, 1911.

RUSSO-GERMAN negotiations.

My telegram No. 22, Secret, of the 30th January.

I saw M. Sazonow to-day, and pointed out to his Excellency that by the terms of the Bagdad Railway concession the line to Kharput was the only one that the Germans had bound themselves to build. M. Sazonow said that he knew this, but that article 12 of the concession gave the Germans the option of constructing certain other

branches, a right of which they wished to avail themselves in the matter of the Mosul-Arbil branch. They desired further to construct a branch running eastwards in the direction of the Persian frontier from a point on the Diala river. Neither M. Sazonow nor the German Ambassador had been able to find on the map the place to which this branch was to run. The terminus of the first of these lines was at the foot of a high range of mountains, while both of them would run at a considerable distance from the Russian frontier, so that he did not see how he could object to them. The question of their strategical significance would, however, have to be examined by the military authorities.

I said that it seemed to me that both these lines would bring the Turks dangerously near to the frontier of Persia.

[3623]

No. 60.

Sir Edward Grey to Sir G. Buchanan.(No. 21. Secret.)
(Telegraphic.) P.*Foreign Office, February 1, 1911.*

TEHRAN-KHANIKIN line.

The language you used to M. Sazonow in your conversations with him on this subject (see your despatch No. 25 of the 26th and your telegram No. 22 of the 30th ultimo) has my entire approval.

I attach far greater importance than does M. Sazonow to the Pan-Islamic danger, and I do not understand how he can regard this point with indifference, more particularly in view of the apprehension which he himself has always expressed of Turkish railways in Asia Minor directed towards the Russian frontier, and of our failure to induce the Turks to withdraw from the Urumia district.

It must be remembered that if the Tehran-Khanikin line is built entirely by Germany it may any day be at the disposal of the Turks for aggressive purposes, and I therefore attach the greatest importance to Russian construction and control. If M. Sazonow is not prepared to insist on this, I strongly hope that he will adopt proposed amendment of article 2 in the sense suggested in the postscript of your despatch referred to.

If M. Sazonow's difficulty is financial, there could be two alternative solutions, which I much hope M. Sazonow will seriously consider. The first would be that Great Britain, as M. Sazonow himself suggested some time ago, should participate in the construction of the railway. British capital would in this case probably be forthcoming, especially if Russia retained the option of construction for a certain time.

As it will be some time before the Sadieh branch is begun, it would not be necessary to mention such an arrangement to Germany, who could not object to a certain delay.

The other alternative would be the internationalisation of the line by the admission of French capital also, Germany to have 30 per cent., and the rest to be reserved for Russia, who would divide her share with Great Britain and France.

[4080]

No. 61.

Sir Edward Grey to Sir F. Bertie.(No. 14.)
(Telegraphic.) P.*Foreign Office, February 2, 1911.*

TEHRAN-KHANIKIN line.

My telegram No. 13 means that line should be international only if Russia relinquishes the option of making it herself. On this understanding our position in the south would in no way be impaired.

[4365]

No. 62.

Sir F. Bertie to Sir Edward Grey.—(Received February 4.)(No. 6. Secret.)
(Telegraphic.) P.*Paris, February 4, 1911.*

RUSSO-GERMAN negotiations.

I saw M. Pichon this morning and informed him of the views and suggestions of His Majesty's Government, as instructed by your telegram No. 13 of the 2nd instant. I did not, however, find it necessary to inform his Excellency that His Majesty's Government would be in a position later on to adopt a similar view in the case of railways constructed in Southern Persia, substituting in such case the word "British" for the word "Russian," as his Excellency concurred in the views expressed by you in your telegram No. 21, Secret, to Sir G. Buchanan of the 1st instant, and said that he would at once instruct M. Louis by telegraph to act with Sir G. Buchanan and support his representations. He quite understands that your suggestion is that the Tehran-Khanikin line should be international only in the event of Russia relinquishing the option of constructing it.

The action of M. Sazonow and the weakness he has shown in his negotiations with Germany are, M. Pichon considers, deplorable, and he wonders whether he has come to some arrangement with the Germans which he has not disclosed. He thinks it most desirable that the community of policy between France, England, and Russia should be emphasised in public declarations by you, himself, and M. Sazonow, and he said that he had made a suggestion to that effect to the Russian Ambassador. The latter, M. Pichon said, has promised at his request to communicate the suggestion to the Emperor of Russia direct, but he does not feel confident that, even if M. Isvolsky have the means to do so, he will carry out his promise.

I suggested to M. Pichon that, although M. Sazonow might be perfectly willing to make such a declaration as he mentioned if he were a free agent, he might find it difficult to do so at present on account of his negotiations with the Germans.

[4364]

No. 63.

Sir G. Buchanan to Sir Edward Grey.—(Received February 4.)(No. 26.)
(Telegraphic.) P.*St. Petersburg, February 4, 1911.*

RUSSO-GERMAN negotiations.

Your telegram No. 21 of the 1st February.

I spoke last evening to M. Sazonow on the subject of the Tehran-Khanikin line in the sense of your above telegram.

M. Sazonow said that though the line would never be dangerous to Russia from the strategical point of view, he quite understood and shared your views as to the importance of its control being in Russian hands. But he found himself faced by the difficulty that both the Minister of Finance and the general public refused to contribute a single penny towards the construction of the line.

I pointed out that if the Tehran-Khanikin line was constructed under German auspices before the North Persian Railway was completed Russian influence at Tehran would be fatally undermined, and Germany would be supreme in the Persian capital. Moreover, he would be sacrificing the most important of the concessions which he had succeeded in inducing the Germans to make at Potsdam.

To this M. Sazonow replied that it was just as impossible for Russia to prevent the construction of the Tehran-Khanikin line as it had been for her to oppose the scheme for the Bagdad Railway. If she had placed her veto on the construction of the Tehran-Khanikin line, Germany would have been free to obtain concessions of a far more important nature, including even the North Persian Railway itself. By consenting to the construction of the Tehran-Khanikin line she had induced Germany to renounce all such claims. M. Sazonow added that the French Ambassador had just been speaking to him as to the possibility of internationalising the line. The suggestion that French and British capital might participate in the construction of the line had been made to him to-day for the first time, and he welcomed it cordially as a possible solution of the difficulty.

I expressed a hope that, if this suggestion were adopted, Russia would see her way to contributing her quota of the capital required, but M. Sazonow expressed his

[1773]

P

doubt as to whether any capital would be forthcoming from Russia, and said that he was not even sure that British capital would be available when the time came for employing it. I said that at present the most important point was that he should not commit himself forthwith to concede either the whole or the partial construction of the railway to the Germans. He denied that he had done so.

I next suggested the possibility that Germany might be willing to accept a formula by which Russia would engage to complete the construction of the line by a fixed date, at the same time reserving the right to invite foreign capital to participate in the work. M. Sazonow replied that the idea of such a formula had occurred to him, and that he had been thinking of proposing it. He then went on to talk at length of the straightforward and conciliatory spirit which Germany was showing in these railway negotiations. I observed that if her attitude was so satisfactory she would make no difficulty about accepting the proposed formula, while if she refused it would show that she had been humbugging him up to now.

[4471]

No. 64.

Sir G. Buchanan to Sir Edward Grey.—(Received February 6.)

(No. 29. Secret.)

(Telegraphic.) P.

St. Petersburg, February 6, 1911.

RUSSO-GERMAN negotiations.

My telegram No. 26 of the 4th February.

In conversation with M. Sazonow to-day, his Excellency said that he hoped that in about a week's time he would be able to submit to the Emperor and to the Council of Ministers a revised text of the draft Russo-German agreement. This text, when sanctioned, would be communicated to Count Pourtalès as the reply of the Russian Government to the counter-proposals put forward by Germany, and he would also let me see it.

I urged M. Sazonow not to show any weakness with regard to the provisions of articles 2 and 3. He said that the proposal that British and French capital should participate in the construction of the Tehran-Khanikin line had greatly improved the situation with regard to that line. He expressed himself as being in favour of some formula of the kind that I had suggested, but said that he feared that Germany would object to it, and would insist on German capital having some share in the construction of the line. He believed that German participation would not be pleasing to the French Government. On my observing that I thought that the French Government would raise no objection to German participation to the extent of 25 per cent., M. Sazonow replied that an arrangement on those lines would be the fairest one. He added, however, that the balance of 75 per cent. of the cost of construction would have to be taken up eventually by England and France, as it was impossible for Russia to supply any of the required capital. To this I replied that in six years' time Russian views on this point might have undergone some change, and that, if the proposed formula were adopted, her hands would be left entirely free to participate or not in the eventual construction of the line.

[4446]

No. 65.

*Sir Edward Grey to Sir G. Louther.**

(No. 34. Secret.)

Sir,

Foreign Office, February 6, 1911.

M. CAMBON told me to-day that Rifaat Pasha had spoken to the French Ambassador at Constantinople about the Bagdad Railway, and had said that the Turkish Government would be quite willing to give the construction of railways to the French, provided that they were railways which suited Turkey. He had suggested railways in the region of the Black Sea, and a railway in Albania.

A railway in Albania, M. Cambon said, would be somewhat difficult. With regard to railways in the region of the Black Sea, Russia had a preference and France would have to consult Russia. But, as Germany might at any time get these railways under cover of Turkey, it was desirable that the French Government should give a favourable reply to the Turkish proposal.

* Also to Sir F. Bertie, No. 53, Secret.

M. Cambon then told me that he thought it would be well that his Government and ourselves should speak very clearly at St. Petersburg, and come to a definite understanding with M. Sazonow as to what our position was with regard to the Bagdad Railway.

I said that if M. Pichon would settle what he desired to say at St. Petersburg we would consider it, with a view to saying the same thing.

I informed M. Cambon how strongly Sir George Buchanan had pressed M. Sazonow, and I added that, with regard to Count Benckendorff, I had not the slightest doubt that he had been writing to St. Petersburg everything that we could wish.

I also told M. Cambon that Rifaat Pasha had talked of making proposals to us about the Bagdad Railway. We had said that we should be ready to receive and consider them. He had answered that he must consult the Grand Vizier, and as a matter of fact no proposals had yet been made to us, and nothing was being done.

I am, &c.

E. GREY.

[4216]

No. 66.

Sir Edward Grey to Sir G. Louther.

(No. 35. Secret.)

Sir,

Foreign Office, February 6, 1911.

ON the 27th ultimo the Turkish Ambassador called at the Foreign Office and informed Sir A. Nicolson that he expected to receive any day the project of his Government in regard to the Bagdad Railway. He understood from a letter he had lately received from Rifaat Pasha, announcing that he was awaiting your return in order to communicate the project to you, that an arrangement must have been arrived at with Germany, whereby the latter abandoned her participation entirely in the construction of the line south of Bagdad. Otherwise Tewfik Pasha did not see the utility of the Turkish Government discussing the matter with His Majesty's Government if Germany still held the field. This point, which was an essential one, would be cleared up when he received a further communication from the Minister for Foreign Affairs.

Sir A. Nicolson enquired whether it was desired to discuss the matter at Constantinople or London, as it would lead to endless confusion if the discussion were to be carried on at both capitals simultaneously. Tewfik Pasha said he understood that Rifaat Pasha would negotiate at Constantinople with your Excellency.

I am, &c.

E. GREY.

[4972]

No. 67.

Sir Edward Grey to Sir G. Buchanan.

(No. 38.)

Sir,

Foreign Office, February 6, 1911.

THE Russian Ambassador asked Sir A. Nicolson to-day, on behalf of the Russian Minister for Foreign Affairs, in what form and to what amount British financial participation in Tehran-Khanikin line would be afforded.

Sir A. Nicolson told his Excellency that he was naturally unable to give him any details. His Majesty's Government had suggested as one alternative that, if Russia's difficulty was a financial one, means might be found to turn it by a participation of British capital. Details as to how that capital would be furnished would have to be reserved for consideration pending the receipt of data necessary to form an opinion.

Count Benckendorff asked whether the proposal as to participation could be regarded as emanating from His Majesty's Government. Sir A. Nicolson replied in the affirmative, and gave him the substance of my telegram No. 21 of the 2nd February to your Excellency.

Sir A. Nicolson added that, to his mind, the best course for M. Sazonow to pursue would be to adopt your Excellency's suggestion, viz., to find a formula to the effect that Russia would engage to construct the Tehran-Khanikin line at a given date, while reserving to herself the right to invite the participation of foreign capital.

I am, &c.

E. GREY.

[4472]

No. 68.

Sir F. Bertie to Sir Edward Grey.—(Received February 7.)

(No. 65. Secret.)

Sir,

Paris, February 5, 1911.

WITH reference to my telegram No. 6, Secret, of yesterday, I have the honour to inform you that at the interview which I had with the Minister for Foreign Affairs, with the view of carrying out the instructions contained in your telegram No. 13 of the 2nd instant, I allowed him to read Sir George Buchanan's despatch No. 25, Secret, of the 26th ultimo, which I gave to his Excellency without the postscript to it. After M. Pichon had read it, and told me that he had received from the French Ambassador at St. Petersburg information similar to that reported by Sir G. Buchanan, I gave to his Excellency the memorandum, of which I enclose a copy herein. After considering it, he said that he concurred in your proposals, and would send the requisite telegraphic instructions to M. Louis. I left the memorandum with M. Pichon as an *aide-mémoire*, and, in a private letter which I have received from him this morning returning to me the memorandum, he states that he has instructed M. Louis to concert with and act with Sir G. Buchanan in the sense desired by you in regard to M. Sazonow's negotiations with the German Government on the subject of the proposed railway from Khanikin to Tehran.

I have, &c.

FRANCIS BERTIE.

Enclosure in No. 68.

Memorandum communicated to M. Pichon.

(Secret.)

HIS Majesty's Ambassador at St. Petersburg has learnt from M. Sazonow that the Russian Minister of Finance, whilst anxious to secure a 60 per cent. Russian participation in the Tehran-Khanikin line, refuses to take any financial responsibility for the eventual construction of that line. Failing such participation, he will work for some such arrangement as the following: If, when the line from Sadijeh had reached Khanikin, Russia had not commenced the construction of the Khanikin-Tehran line, she would come to an understanding with Germany for a joint construction of the latter railway. Germany had, so M. Sazonow informed Sir George Buchanan, declared her readiness to give an undertaking to build the line, or to allow Russia to build the line with her or alone. If Germany were to build the line she would be willing that Russia should acquire the right to purchase the line on completion thereof, the price to be fixed by arbitration. Count de Pourtalès had told M. Sazonow that Germany had bound herself to build certain branch railways under the Bagdad Railway concession. M. Sazonow said that one of these railways was to run to Diarbekir and Kharput from a junction on the Bagdad Railway, and that if the others, which he had not had time to examine, also ran parallel to the Russian frontier, an exception might be made in their favour. In the case of railways running towards that frontier, however, such an exception could not be made.

Sir E. Grey has informed Sir G. Buchanan that he attaches the greatest importance to Russian construction and control of the Tehran-Khanikin line, expressing a strong hope that if M. Sazonow does not feel prepared to insist on this he will adopt the alternative proposal made by the Russian Minister of Finance referred to above, viz., if, when the line had reached Khanikin, Russia had not commenced the construction of the Khanikin-Tehran line, she should come to an understanding with Germany for a joint construction of that railway. Sir E. Grey pointed out further to Sir G. Buchanan that if the line were built entirely by Germany it might any day be at the disposal of Turkey for purposes of aggression. A suggestion had been made some time ago by the Russian Minister for Foreign Affairs that England might participate in the construction of the Tehran-Khanikin line, and if M. Sazonow's difficulty were of a financial nature British capital would probably be available, especially if for a certain time the option of construction were retained by Russia.

Germany need not be informed of this, for she could not raise objections to a certain delay, as some time would elapse before the commencement of the Sadijeh branch line. Sir E. Grey suggested as another alternative the internationalisation of the line by admitting French capital as well, Germany receiving 30 per cent., whilst

Russia could reserve the rest, dividing this share with England and France. He considered that by both these proposals the financial difficulty could be turned, and he expressed the hope that M. Sazonow would take these alternatives into serious consideration, as he attached far greater importance than M. Sazonow did to the danger from Turkey. He expressed surprise at the indifference shown by the Russian Minister for Foreign Affairs on that point, especially after the failure of the endeavours to secure the withdrawal of Turkey from the Urumia district, and in view of the apprehension always expressed by M. Sazonow of Turkish railways in Asia Minor running in the direction of the Russian frontier.

His Majesty's Government attach great importance to the above proposal, and they are strongly of opinion that if Russia relinquishes the option of making the Tehran-Khanikin line, that line should be international to the extent proposed by M. Pichon.

*British Embassy, Paris,**February 4, 1911.*

[4644]

No. 69.

Sir G. Lother to Sir Edward Grey.—(Received February 7.)

(No. 29.)

(Telegraphic.) P.

Constantinople, February 7, 1911.

BAGDAD Railway.

See Mr. Marling's telegram No. 9 of the 14th January last.

In view of the fact that negotiations are proceeding apparently rapidly and successfully between the Bagdad Railway Company and the Ottoman Government for the completion of the line to Bagdad, I have consulted my French colleague, who has agreed that we should submit to our respective Governments the need of taking some prompt and energetic action in order to prevent some surprise such as that of the Potsdam agreement.

We suggest that our action might take the form of a joint communication to the Sublime Porte to the effect that all negotiations connected with the completion of the line to Bagdad must be taken conjointly with France and Great Britain. We should add that our Governments consider it quite insufficient for the Ottoman Government to submit an agreement already arrived at, and that we cannot hold out to the Sublime Porte any hope of our agreeing to the 4 per cent. increase failing a preliminary agreement. The Minister for Foreign Affairs made an evasive reply to the questions which I put to him to-day regarding the course of the negotiations.

[4364]

No. 70.

Sir Edward Grey to Sir G. Buchanan.

(No. 34.)

(Telegraphic.) P.

Foreign Office, February 7, 1911.

I APPROVE your language as reported in your telegram No. 26.

M. Sazonow might be told that I trust he will seriously consider formula you suggest as likely to meet present difficulty. We should be ready to consider whether it would be possible to raise sufficient British capital for participation in Tehran-Khanikin line were the Russian Government unwilling to take over the whole financing and construction of it themselves. Failing this the alternative of internationalisation could be entertained (see my telegram No. 21), but in view of the fact that we have no data whatever as to probable cost of construction of line, and that this and other data are naturally necessary, we think the best solution would be the acceptance of formula you suggest, as we should then have time to study in detail the amount and mode of participation of British capital, either wholly or in conjunction with others.

[1773]

Q

[3433]

No. 71.

Sir Edward Grey to Sir G. Louther.

(No. 40. Secret.)

Sir,

Foreign Office, February 7, 1911.

I HAVE received your Excellency's despatch No. 62 of the 23rd ultimo, reporting a conversation with the Turkish Minister for Foreign Affairs on the relations between Turkey and this country.

I approve your Excellency's language to Rifaat Pasha on this occasion.

I am, &c.

E. GREY.

[1213]

No. 72.

Foreign Office to Treasury.

Sir,

Foreign Office, February 7, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith copies of correspondence relative to a proposal to entrust His Majesty's consul at Mohammerah with the duty of surveying the country from Dizful to Burujird, in South-Western Persia,* with a view to the eventual construction of a railway between those two places which would form a section of the projected line from Mohammerah to Julfa.

I am to state that, from the moment when the proposal for this survey was laid before him, Sir E. Grey has fully recognised the necessity for its eventual execution, as it is clearly indispensable that His Majesty's Government should be in possession of complete and accurate knowledge of a region in which it is intended eventually to construct a railway so advantageous to British interests from a political as well as from a commercial point of view.

As, however, the Lords Commissioners of His Majesty's Treasury will observe from the letter from this department to the India Office of the 31st December last, he was led to raise objections to the immediate execution of the scheme by the consideration of the unfavourable impression likely to be produced thereby on the mind of the Russian Government.

It is now clear from the language held by the Russian Minister for Foreign Affairs to His Majesty's Ambassador at St. Petersburg, as reported by the latter in the enclosed extract,† that, so far from viewing with disfavour the construction by British enterprise of a line in this part of Persia, his Excellency warmly encourages such a scheme, so that the objections raised by Sir E. Grey to the proposed survey no longer exist.

I am accordingly to express the hope that the Lords Commissioners may see their way to the charge on Imperial funds of half the expenses involved in the execution of this proposal, which has, as they will observe, the support of all His Majesty's representatives on the spot, as well as that of the Government of India and the India Office, especially in view of the exceptional fitness for the work of His Majesty's present consul at Mohammerah, whereby an opportunity is offered which may not soon recur.

The total cost of the survey is estimated at 1,500 rupees a-month, and its duration at six months, both these figures being taken as the maximum.

I am to add, with reference to Colonel Cox's despatch No. 68 of the 8th October last, forwarding Mr. Wilson's valuable report on the results of his survey of the line from Mohammerah to Dizful, that it was unnecessary to obtain special sanction in that case because the work was accomplished in the course of that officer's ordinary journeys about his consular district.

I am, &c.

LOUIS MALLET.

* Colonel Cox, No. 67, October 8; ditto, No. 68, October 8; Sir G. Barclay, No. 477, Telegraphic, November 17; to India Office, November 24; India Office, December 21; ditto, December 31, 1910.

† Sir G. Buchanan (extract), No. 25, January 25, 1911 (see No. 52).

[1213]

No. 73.

Foreign Office to India Office.

Sir,

Foreign Office, February 7, 1911.

WITH reference to the letter from this Office of the 31st December last relative to the proposed survey of the Dizful-Burujird section of the projected Mohammerah-Julfa Railway, I am to transmit to you herewith copy of a despatch from His Majesty's Ambassador at St. Petersburg,* and to request that the attention of the Earl of Crewe may be invited to the last three sentences, from which it will be observed that the Russian Minister for Foreign Affairs speaks of an English project for a railway from Mohammerah to Khanikin, and strongly advises His Majesty's Government to give it their support.

The objections raised by Sir E. Grey to the proposed survey were entirely based, as Lord Crewe is aware, on the mistrust and suspicion which, in the present position of the general question of railway construction in Persia, it would be likely to arouse in the mind of the Russian Government; and not on any doubt as to its ultimate usefulness, and now that M. Sazonow's observations have removed all fear that his Excellency would view the scheme with disfavour it appears desirable that it should be proceeded with without delay.

I am accordingly to state that Sir E. Grey will forthwith cause the Lords Commissioners of His Majesty's Treasury to be approached with a view to obtain their consent to the charge to Imperial funds of half the expenses involved in the investigation.

It is true that the scheme mentioned by M. Sazonow to Sir G. Buchanan was one for a railway from Mohammerah to Khanikin, and not from Mohammerah to Julfa, but, as the former project has never, so far as Sir E. Grey is aware, been proposed by anybody, it is permissible to assume that the latter was the one which his Excellency had in mind.

I am, &c.

LOUIS MALLET.

[4782]

No. 74.

Sir G. Buchanan to Sir Edward Grey.—(Received February 8.)

(No. 30. Secret.)

(Telegraphic.) P.

St. Petersburg, February 8, 1911.

RUSSO-GERMAN negotiations.

Your telegram No. 13, Secret, to Sir F. Bertie.

A very salutary effect has been produced on M. Sazonow by the telegrams which reached him this morning from the Russian embassies in Paris and London. His tone has now undergone a complete change. On Monday last he told me that the French would be displeased if German capital were admitted to participate in the construction of the Tehran-Khanikin line. To-day he spoke bitterly of the French, who, after having accused him of going behind their backs and concluding a secret political arrangement with Germany, now came forward with a scheme for internationalising the Tehran-Khanikin Railway by which German capital would necessarily be admitted to participate. He wished to avoid this. He had considered the formula which I had suggested, and had come to the conclusion that it was calculated to arouse the suspicions of Germany as to the sources from which he proposed to raise the necessary capital. He had therefore prepared another formula, which ran as follows:—"Russia undertakes to acquire for herself from the Persian Government the concession for the Tehran-Khanikin line, and engages to proceed with its construction." It was only since he had received an assurance that he could count on the participation of British and French capital that it had been possible for him to commit himself to such an engagement; the wording of this formula would, when the time came, leave Russia a free hand to form whatever consortium might seem best to her. The question of the exact proportion in which British capital would participate was one which could wait, and he did not want at present to press for a definite assurance on this point.

I said that this formula, so far as I could judge, would meet with the approval of

* No. 52.

His Majesty's Government from every point of view. We had always urged that Russia should herself construct and finance the line, and the wording of his formula would still enable her to do this, should she ever wish it.

On my asking M. Sazonow whether it would not be possible for him to furnish me with a copy of the revised text of the draft Russo-German agreement, which I might send to you by bag to-morrow, his Excellency replied that he could not do so, as the text would not be ready for submission to the Council of Ministers till next Saturday.

I then pressed him to tell me in what respects the original text would be modified. He said that article 3 would be omitted from the agreement altogether, and its substance be embodied in notes to be exchanged between the two Governments. Copies of these notes would be communicated to England and France. The words "without a previous agreement with the Russian Government," would be inserted in the engagement to be taken by Germany.

Germany considered that a public declaration to the effect that she had no political interests in Persia would be derogatory to her dignity as a Great Power, and article 4 would therefore begin with the following words:—"the special political interests of Russia are recognised by the German Government," &c. M. Sazonow considered that Germany could not be expected to give more than a declaration on these lines. The words "as well as other concessions of a territorial nature," which occurred at the end of the first paragraph of article 4, would be omitted. This omission was explained by M. Sazonow as being due to Germany's objection to the exclusion of her subjects from acquiring concessions for forests and mines.

In view of M. Sazonow's frequent changes of front I cannot even now guarantee that the final wording of the text will be exactly in the terms which his Excellency indicated to me.

I only observed to M. Sazonow that I hoped that, in communicating his proposals to Count Pourtalès, he would let the latter understand that it was impossible that these negotiations should be allowed to drag on indefinitely.

His Excellency replied that he would tell Count Pourtalès that it was impossible for him to accept any further modification of the general sense of the agreement, though he was prepared to consider any alterations of a purely verbal character.

[4873]

No. 75.

Sir F. Bertie to Sir Edward Grey.—(Received February 9.)

(No. 7.)

(Telegraphic.) P.

Paris, February 9, 1911.

BAGDAD Railway negotiations.

I met M. Pichon to-night and found that he had received from the French Ambassador a suggestion similar to that mentioned in your telegram No. 18 of to-day and telegram No. 29 from His Majesty's representative at Constantinople of the 7th instant. He said that though there may be no legal ground for a protest by France and England on the subject of the negotiations conducted by the Porte with the Bagdad Railway Company in connection with the proposed line to Bagdad, he thinks it would be advisable to warn the Porte that, if the French and British Governments, whose interests would be affected by the construction of such a line, be not consulted in this matter they cannot be expected to give their consent to the proposed 4 per cent. increase in the customs. Instructions on the subject have been sent to M. Cambon, who has been directed to speak to you in regard thereto.

M. Bompard has reported from Constantinople that an agreement has nearly been reached between the railway company and the Porte, the latter having declared itself ready to devote the whole of the surplus revenues to the payment of the kilometric guarantee. The Turkish Government are, however, unwilling to concede the sheep tax in addition, which the company is anxious to obtain; and this is the only obstacle remaining to the conclusion of the agreement.

[4644]

No. 76.

Sir Edward Grey to Sir F. Bertie.

(No. 18. Secret.)

(Telegraphic.) P.

Foreign Office, February 9, 1911.

BAGDAD Railway.

Inform M. Pichon of the substance of Sir G. Lowther's telegram No. 29, and state that His Majesty's Government consider that it would be impolitic to enter a protest against the conclusion of arrangements for continuation of line to Bagdad, seeing that it would be disregarded by Turkish Government, as being unjustified on any legal grounds whatever. Until, however, they are aware of the views of the French Government they will withhold their reply.

[4972]

No. 77.

Sir Edward Grey to Sir G. Buchanan.

(No. 38. Secret.)

Sir,

Foreign Office, February 9, 1911.

THE Russian Ambassador asked Sir A. Nicolson to-day on behalf of the Russian Minister for Foreign Affairs in what form and to what amount British financial participation in the Tehran-Khanikin line would be afforded.

Sir A. Nicolson told his Excellency that he was naturally unable to give him any details. His Majesty's Government had suggested as one alternative that, if Russia's difficulty was a financial one, means might be found to turn it by a participation of British capital. Details as to how that capital would be furnished would have to be reserved for consideration pending the receipt of data necessary to form an opinion.

Count Benckendorff asked whether the proposal as to British participation could be regarded as emanating from His Majesty's Government. Sir A. Nicolson replied in the affirmative, and gave him the substance of my telegram No. 21 of the 1st February to your Excellency.

Sir A. Nicolson added that to his mind the best course for M. Sazonow to pursue would be to adopt your Excellency's suggestion, viz., to find a formula to the effect that Russia would engage to construct the Tehran-Khanikin line at a given date while reserving to herself the right to invite the participation of foreign capital.

I am, &c.

E. GREY.

[4975]

No. 78.

Sir G. Buchanan to Sir Edward Grey.—(Received February 10.)

(No. 32. Secret.)

(Telegraphic.) P.

St. Petersburg, February 10, 1911.

RUSSO-GERMAN negotiations.

Please see my telegram No. 30 of the 8th instant.

In a conversation which I had with the Minister for Foreign Affairs last night, his Excellency informed me that he had inverted the order of things when remodelling the draft agreement. The Konieh-Bagdad section will first of all be referred to, and it will be stated later on in the text that "Russia engages not to oppose the above-mentioned railway." He expressed the hope that this new formula would meet our wishes, though he could not guarantee that the German Government would accept it.

His Excellency added that, as far as article 3 was concerned, he would only have recourse to an exchange of notes if he was unable to obtain the acceptance by the German Government of the new text which he is laying before them.

He said that it would not be possible for him to let me see the revised text of the agreement before Wednesday next.

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[4873]

No. 79.

Sir Edward Grey to Sir G. Louther.

(No. 29.)

(Telegraphic.) P.

Foreign Office, February 10, 1911.

PLEASE telegraph your views as to revenues which Bagdad Railway Company may expect Turkish Government to earmark for their use (see Paris telegram No. 7 of the 10th February).

[5122]

No. 80.

Sir G. Buchanan to Sir Edward Grey.—(Received February 11.)

(No. 33. Secret.)

(Telegraphic.) P.

St. Petersburg, February 11, 1911.

RUSSO-GERMAN negotiations.

I was sent for yesterday evening by M. Sazonow, who said that the apprehensions aroused in London by the question of the Tehran-Khanikin Railway had caused him much uneasiness. M. Sazonow said that he had thought that His Majesty's Government had understood from what he had told them both before and after the Potsdam meeting that the line was of vital interest to Russia. He now recapitulated his remarks on the subject. I replied that the position of Russia was fully realised by His Majesty's Government, but that we feared the possibility of the control of the line passing into the hands of Germany. M. Sazonow protested that he had never had any intention of letting the control pass out of Russia's hands, and went on to reproach M. Louis with having misled the French Government by stating that he (M. Sazonow) had been the first to broach the question of ceding the line to Germany in his conversations with Count Pourtales. I denied that I had ever reported in this sense to my Government, but said that I had considered it my duty to point out to them that the cession of the line to Germany was a possibility which we could not afford to disregard. I recalled to his memory the language which he had held to me on this subject on various occasions, and reminded him that on one occasion he had said to me that the best plan would really be for Germany to defray the cost of the construction of the line. He said that this was the opinion that had been expressed in the Council of Ministers by the Minister of Commerce, but that he, for his part, had always advocated that control should be kept in Russia's hands.

I told him that a telegram which I had sent to you (my No. 30 of 8th February) would by this time have set at rest any apprehensions which might have existed.

M. Sazonow then read to me a telegram which he had received from Count Benckendorff, who reported that he had had a conversation on the subject of the participation of British capital with Mr. Tyrrell, who had told him that, in the event of Germany giving her consent to the proposed combination, Great Britain would find her share of the required capital without any difficulty. M. Sazonow expressed a hope that no mention of this matter had been made by us to Germany. If Germany got wind of the scheme she would refuse to accept his new formula unless a share in the construction were allotted to her also. His idea was that the Tehran-Khanikin line should be made a purely Russian undertaking, and that Russia should be left free to make whatever financial arrangements might suit her. On my informing his Excellency of what I had said on this point in my telegram No. 30, he replied that I had expressed his views quite accurately. At the same time, he begged me to inform you of the great importance which he attached to the idea of British participation in the future being kept secret and not mentioned either in diplomatic or financial circles.

M. Sazonow then went on to say that the revised version of the draft Russo-German agreement was still awaiting submission to the Council of Ministers, that he could not give me a copy of it, but that he would allow me to read it on the understanding that it was in the strictest confidence.

In the preamble the principle of commercial equality is recorded, and it is recognised that Russia possesses special political interests, while a purely commercial character is ascribed to those possessed by Germany.

The 4th article of the original draft appears as article 1 in the new version, but all reference to concessions of a territorial character is omitted.

In article 2 Russia pledges herself to obtain from the Persian Government a concession for a line to link up with the Sadijeh-Khanikin line, when the construction

of "this branch of the Konieh-Bagdad Railway" shall have been completed. Tehran is not specified as the eastern terminus of this link line from Khanikin.

In article 3 Russia undertakes not to place any obstacles in the way of the construction of "the above-mentioned railway," stipulating at the same time that she shall not be required to make any sacrifices of a pecuniary nature. At the end of this article is attached a revised version of the article 3 of the former draft, by which Germany engages not to lend material or diplomatic support to schemes for constructing railways in the district to the north of Khanikin referred to in the original draft.

It might be well to express our appreciation of M. Sazonow's action and to tranquillise the agitated frame of mind in which he is at present. He seems to have done his best to meet our wishes. I fear, however, that Germany will not be inclined to welcome the text as now revised.

[5147]

No. 81.

Sir G. Louther to Sir Edward Grey.—(Received February 11.)

(No. 34.)

(Telegraphic.) P.

Constantinople, February 11, 1911.

BAGDAD Railway.

From information I have received it has been calculated, taking the averages of the surpluses of the ceded tithes and revenues for the last five years, that the annual surplus at the Government's disposal (not taking the customs surtax into account), and therefore available for the Bagdad Railway, has amounted to £ T. 334,000, and that no less than £ T. 960,000 will be at the disposal of the Government from the same sources in the present financial year, taking the returns as at present known.

For the Halif-Bagdad sections about £ T. 300,000 is required (without counting £ T. 76,000 for working expenses). There is every reason to suppose that this sum will be fully covered, but the railway company seem anxious to get the sheep tax of the Adana, Aleppo, and Konieh vilayets (assigned by the last convention) as an additional guarantee.

Above refers to your telegram No. 29 of the 10th February.

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No. 82.

Sir Edward Grey to Sir G. Buchanan.

(No. 41. Secret.)

(Telegraphic.) P.

Foreign Office, February 11, 1911.

REVISED draft agreement. Your telegram No. 33.

Minister for Foreign Affairs may rely on our discretion. Please express to him my thanks for his friendly communication, and my satisfaction, and assure him that we have said nothing to Germany.

[5149]

No. 83.

Sir G. Louther to Sir Edward Grey.—(Received February 12.)

(No. 36.)

(Telegraphic.) P.

Constantinople, February 12, 1911.

BAGDAD Railway. (See embassy telegram No. 34 of 11th instant.)

According to the "Tanin," a paper in close relations with the Ministry of Finance, an annual increase of £ T. 60,000 on the revenues already put aside for the construction of the line will suffice for the extension of the line to Bagdad, and the 4 per cent. increase on the customs duties has no connection with this.

It is conceivable that the £ T. 60,000 represents the difference between the amount needed, including working expenses and guarantee, for the line from Halif to Bagdad and £ T. 334,000 surplus of tithes and revenue. If the Halif-Bagdad section is rather more than 600 kilom. in length, this supposition may be correct.

[5150]

No. 84.

Sir G. Louther to Sir Edward Grey.—(Received February 12.)

(No. 37.)

(Telegraphic.) P.

Constantinople, February 12, 1911.

BAGDAD Railway. (See Foreign Office telegrams No. 24 of 9th February and No. 32 of 10th February.)

It is, I still venture to think, very desirable that some communication should be made to the Porte. The form I would suggest might be a request to be acquainted with the nature of the arrangement about to be arrived at in order to see whether safeguards have been provided for British and French interests.

Should the Porte now conclude an arrangement with the Germans, without mention being made of the Bagdad-Persian Gulf sections being modified in any way, then in the negotiations which we expect to conduct with Turkey the latter will have nothing to offer us. This will weaken our position as against Germany and Turkey very considerably, and the practical result will be that we shall either have to accept their terms or assume in the Koweit and 4 per cent. questions an uncompromising attitude.

It might be possible for us to omit any reference to the 4 per cent. question and confine ourselves to saying that we shall show no great disposition to deal favourably with Turkish requests for assistance in matters touching their interests if British interests have not been borne in mind during the Turco-German negotiations.

It would seem that the agreement between the railway company and the Ottoman Government is on the point of being reached, and it is considered that it will be possible to avoid reference of the agreement to Parliament. It is not, however, possible to say what revenues are to be assigned to the railway, although the terms offered by the company are said to be very light.

[5152]

No. 85.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

(No. 29.)

Sir,

St. Petersburg, January 31, 1911.

THE following official communiqué was published in the press of the 28th instant:—

"Amongst other questions discussed at the meeting of the Council of Ministers on the 13th (26th) January was that of the construction of an Indo-European transit railway.

"The council was generally favourable to the proposal brought forward by the promoters of the enterprise that a special commission ('société d'études') should be instituted for a preliminary study of the question, on the understanding, however, that the realisation of the scheme shall not involve loss to the Russian Treasury or damage the economic interests of Russia.

"The decision of the Council of Ministers on this subject will take final shape as soon as the Ministries interested have arrived at an agreement."

On my alluding to this communiqué in the course of conversation with M. Sazonow yesterday, I enquired whether the condition that the Imperial Treasury was to suffer no loss meant that the Government would only give the projected railway their moral support, his Excellency replied that anything in the shape of a Government guarantee was out of the question. The only financial support which the enterprise would receive would be a certain share in any surplus profits which might accrue to the State railways from increased receipts due to the transit traffic in goods and passengers through Russia.

I have, &c.

GEORGE W. BUCHANAN.

[5154]

No. 86.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

(No. 33.)

Sir,

St. Petersburg, February 6, 1911.

I TOOK the opportunity of a conversation which I had with the Minister for Foreign Affairs this afternoon to speak to him in the terms of your despatch No. 31 of the 31st ultimo on the subject of that portion of Persian territory that was left neutral by the Anglo-Russian agreement of 1907.

His Excellency gave me the assurance that the Russian Government would not support the requests of third parties for concessions in that region, nor consent to such requests being made without previous consultation with His Majesty's Government.

I have, &c.

GEORGE W. BUCHANAN.

[5212]

No. 87.

Sir G. Louther to Sir Edward Grey.—(Received February 13.)

(No. 90.)

Sir,

Pera, February 8, 1911.

WITH reference to my telegram No. 29 of yesterday relative to the progress of the negotiations for the completion of the Bagdad Railway to Bagdad, I have the honour to enclose a semi-official communication, published in the "Jeune Ture" of yesterday, on this subject.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 87.

Extract from the "Jeune Ture" of February 7.

LE CHEMIN DE FER DE BAGDAD.

UNE réunion a eu lieu dimanche au konak du grand vèzir à laquelle ont assisté les Ministres des Finances, des Travaux publics et M. Huguenin, directeur général du Chemin de Fer de Bagdad. La conversation a roulé sur le tronçon reliant Halef à Bagdad de 600 kilom., ainsi que les sommes destinées à la garantie kilométrique. Avec ce dernier tronçon la ligne ferrée atteindrait Bagdad. La totalité des travaux serait effectuée en six ans, toute force majeure prévue. Ils seraient attaqués des deux côtés à la fois, de Bagdad et Halef.

La Compagnie du Chemin de Fer de Bagdad espère mettre en exploitation dans quelques mois une partie du tronçon Eregli-Adana dont les travaux sont très avancés.

[5158]

No. 88.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

(No. 37.)

Sir,

St. Petersburg, February 9, 1911.

THE Russo-German negotiations have made but little progress during the past fortnight. In the conversation reported in my telegram No. 22, Secret, of the 30th ultimo, M. Sazonow informed me that the question of the Tehran-Khanikin Railway was still under discussion, and that it was complicated by the fact that the Minister of Finance had declined to assume any financial responsibility for the construction of the line. He had himself been trying to conclude an arrangement under which Russia would participate to the extent of 60 per cent. in the undertaking in order to secure the predominant control; but, while he would have no difficulty in inducing Germany to assent to this, he did not know how to secure the necessary capital. Germany, he must admit, had approached the question in the most conciliatory spirit, and was willing to accept any arrangement agreeable to Russia. All that she

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wanted was an engagement that the railway would be commenced when once the Sadijeh line had reached Khanikin. She was ready to leave the construction, either in whole or in part, to Russia, or else to undertake to build the whole line herself. In the latter case, she would give Russia the option of purchasing the railway, when constructed, at a price to be settled by arbitration.

On my asking his Excellency whether it was true that the line would cost a hundred million roubles, and whether he thought that it would be easy for Germany to find even 40 per cent. of the required capital, M. Sazonow replied that the figure which I had quoted was exaggerated, but that at present it was impossible to estimate either the cost of its construction or the approximate amount of the receipts which it would eventually yield. Count Pourtalès had assured him that, as the main railway would reach Bagdad in four or five years, the branch line from Sadijeh to Khanikin would be completed in six years at the latest, and that it would then be quite easy for Germany to find the capital necessary for continuing that line to Tebran. He did not know whether Count Pourtalès was trying to bluff him, but it was possible that Germany contemplated postponing, or even abandoning altogether, the continuation of the Bagdad Railway to the Gulf, and diverting any capital which she might have set aside for the Gulf section to the construction of the Khanikin-Tebran line.

With regard to the railways referred to in article 3 of the draft agreement, M. Sazonow said that the German Ambassador had told him that, under the Bagdad Railway concession, Germany had undertaken to construct certain branch lines. One of these was to run from a point on the main line to Diarbekir and Kharput and, if the others were also to run parallel to the Russian frontier, he might make an exception in their favour. When I saw his Excellency again a few days later, I pointed out that the Diarbekir-Kharput line was the only one which the Germans were under an obligation to build, and that, as regarded the other lines mentioned in article 12 of the concession, it was merely a question of option. M. Sazonow replied that he was aware of this, but that the Germans wanted to exercise this option in the case of two lines, namely, one from Mosul to Arbil and the other from a point on the Diala to a place which neither he nor the German Ambassador had been able to find on the map. As both these lines were at a considerable distance from the Russian frontier, and as the first of them had its terminus at the foot of a lofty mountain range, he did not see how he could object to them. I contented myself at the time by remarking that they seemed to me to bring the Turks within dangerous proximity of the Persian frontier, but in a subsequent conversation, I called his attention to the fact that the Mosul-Arbil Railway would give the Turks direct access to the Urumia district if, as was always possible, they were able to carry on the line through some pass in the mountains. M. Sazonow admitted that there might be some truth in this, but said that the line from the Diala was, he believed, only intended to tap some naphtha springs not very far from Khanikin. He had, he informed me, written to Count Pourtalès saying that, while he personally saw no objection to the Diarbekir-Kharput line, the whole question of these railways would have to be carefully examined by the military authorities, and that, as in the case of the other two lines, Germany had only the option, and not the obligation, to build them, he thought that it ought not to be difficult to come to some agreement with respect to them.

I saw his Excellency again on the 3rd instant and communicated to him the substance of your telegram No. 21 of the 1st instant, laying especial stress on the importance which you attached to the Tebran-Khanikin Railway being constructed and controlled by Russia. M. Sazonow replied that he quite understood and shared your views on this question, though he did not himself see how this line could, in any circumstances, be a danger to Russia from a strategic point of view. He had all along been endeavouring to retain the control of this railway in Russia's hands, but as neither the Minister of Finance nor the Russian public would contribute a penny towards its construction, the position which he had taken up was becoming almost untenable. His countrymen, unfortunately, were so spoilt by protectionism that they resented anything that would tend to introduce foreign competition into markets which they regarded as specially reserved to themselves. It was impossible for him to go round to every journalist and to every financial magnate and explain to them that the railway would be built whether they liked it or not, and that it was to their interest to build it so as to prevent its falling entirely into German hands.

The French Ambassador, his Excellency then proceeded to say, had just been to see him, and had also spoken about the internationalisation of the line. The idea that British and French capital might participate in the enterprise was a new but welcome

suggestion, and might, he thought, offer a way of escape out of his present difficulties. On my enquiring whether, in the event of this idea being adopted, Russia would contribute her quota, his Excellency replied that it would be impossible to raise any money in Russia towards such an undertaking and he very much doubted whether, when the time came, any British capital would be forthcoming. He would, however, do all in his power to attain a solution of the question in the sense suggested. I remarked that the important thing at the present moment was that Russia should not commit herself by any promise to cede the railway either as a whole or in part to Germany. While I quite understood the financial difficulty with which he was confronted, I would ask him to reflect on the fatal blow that would be struck at Russia's influence and prestige in Persia were Germany to build and control this line before the North Persian Railway had been completed. Nor could I, in such a case, see what Russia would have gained from the agreement with Germany. M. Sazonow replied that he had not committed his Government in any way at present, but that Russia could no more prevent the eventual construction of the Tebran-Khanikin line than she had been able to oppose the Bagdad Railway scheme. She had been obliged to consent to the construction of this line in order to purchase Germany's renunciation of other and more important claims in North Persia which might one day have included the concession for the North Persian Railway itself.

Reverting once more to the question of internationalisation, I enquired whether his Excellency thought that Germany would accept a formula to the effect that when the Sadijeh line reaches Khanikin "la Russie procédera à la construction de la ligne Khanikin-Téhéran, en se réservant le droit d'inviter la participation de capitaux étrangers." M. Sazonow replied that he had himself been considering whether some such formula might not get over the difficulty, and, after recapitulating what he has so often told me of the conciliatory and straightforward manner in which Germany has throughout treated the question of this railway, remarked that he did not see what objections she could raise. I observed that if she did raise objections his Excellency need not listen to them, as they would prove that all that Count Pourtalès had told him hitherto was humbug and that Germany wanted the railway for other than trade purposes.

On my calling on his Excellency on the 6th instant, M. Sazonow of his own accord reverted to the subject, remarking that the situation had changed greatly for the better now that there was a question of the participation of French and British capital. I then asked whether he had come to any decision about the formula, and his Excellency replied that he was quite in favour of the one which I had suggested, but that he feared that Germany would raise objections unless she was also admitted on an equal footing with England and France; and he believed that the French Government wished to exclude her altogether. As, in a conversation which I had with my French colleague a few days ago, M. Louis had suggested that Germany's share should be restricted to 25 per cent., I said that I did not think that this was the case, and that if 25 per cent. were allotted to Germany, the remaining 75 per cent. might be divided between the other three Powers. His Excellency agreed, but added that France and England would have to divide Russia's share between them. I remarked that it was to Russia's interest to leave the door open so that she could do what she liked when the time came. The Sadijeh-Khanikin line could not under the most favourable circumstances be completed for another six years, and many things might happen in that time. Russian public opinion might then take an entirely different view of the matter, and favour the idea of the line being wholly or mainly constructed with Russian capital.

In the course of our conversation his Excellency told me that he hoped about the end of the week to lay before the Council of Ministers the revised text of the draft agreement, and that, after it had been sanctioned by the Emperor, he would communicate it to Count Pourtalès as Russia's reply to the proposals and amendments which the German Government had submitted with respect to the original draft. He would also naturally show it to me. The question on which it would be the most difficult to arrive at an agreement was that relative to the text of article 3, which deals with railways to the north of Khanikin. This matter was, he considered, such an important one for Russia that he would be obliged to make a firm stand with regard to it. I encouraged him in this idea as I think that a Turco-German railway line from Mosul to Arbil would be fraught with danger to Anglo-Russian interests in Persia.

I saw M. Sazonow again yesterday afternoon and communicated to him the substance of your telegram No. 34 of the 7th instant on the subject of the Tebran-

Khanikin line. His Excellency replied by reading to me two telegrams which he had received from Count Benckendorff reporting a conversation which he had had on the same subject with Sir Arthur Nicolson. He then proceeded to say, with considerable warmth, that the French had quite lost their heads and were accusing him of negotiating a secret political understanding with Germany behind their backs. In spite of this, however, it was they who had originated the proposal for the internationalisation of the line with the participation of German capital. I asked him why it was that he had told me the other day that the French wanted to keep the Germans altogether out of the undertaking, but his Excellency denied ever having said so. He had, he continued, thought over the formula which I had suggested, but he was afraid that it would necessarily involve German participation and this he desired to avoid. He had therefore prepared another: "*La Russie s'engage à obtenir pour elle-même la concession et à procéder à la construction de la ligne.*" This wording would not, as the other would have done, arouse German suspicions as to the sources whence he proposed to obtain the necessary capital and would leave Russia free to form whatever consortium she pleased when the time came. The question as to the exact amount of capital which Great Britain would eventually contribute need not be discussed at present, and he did not wish to press for any definite assurance on this point. It was only now that he had been assured of the participation of British and French capital that he was able to act as he was doing.

From his Excellency's language, one would imagine that he had never entertained the idea of ceding the railway in whole or in part to Germany, and I think that his changed attitude is probably due to the language which Sir Arthur Nicolson and M. Pichon have held to the Russian Ambassadors in London and Paris. I told M. Sazonow that, so far as I could judge, nothing could be better than the proposed formula; that it appeared to meet our wishes in every respect, and that it had the advantage of still enabling Russia to construct and finance the railway by herself if she should wish to do so.

I then asked his Excellency whether he could give me the revised text of the draft agreement to forward to you by to-day's messenger; but he replied that this was impossible, as it would only be submitted to the Council of Ministers on Saturday. It had, he said, been very difficult to redraft as it was necessary to change the wording completely, so that it might not in any way resemble the version published by the "*Evening Times*." After some pressing, however, M. Sazonow informed me that the following were the principal alterations introduced into the original text:—

Article 3 will disappear from the agreement, and the engagements taken by Germany with regard to railways to the north of Khanikin will be recorded in an exchange of notes, of which copies will be communicated to England and France. These engagements will, however, be modified by the addition of the words "*sans un accord préalable avec la Russie.*" Otherwise, I gather no alteration will be made in the text.

Article 4 will commence thus: "*Le Gouvernement allemand reconnaît les intérêts spéciaux de la Russie en Perse,*" instead of "*Le Gouvernement allemand reconnaît n'avoir en Perse aucun intérêt d'ordre politique.*" Germany, his Excellency stated, considered that it was beneath her dignity as a Great Power to declare publicly that she had no political interests in Persia and, though the German Chancellor had, as his Excellency had reminded Count Pourtalès, made such a declaration at Potsdam, he thought that the assurance which the German Government was now giving, equally answered the purpose. The words "*ainsi que d'autres concessions de caractère territorial*" in the last line of the first paragraph of the same article will be omitted, as Germany objects to her subjects being precluded from seeking mining or forest concessions.

I refrained from offering any observations on these new concessions which M. Sazonow is making, as I do not see how we can take exception to them. I expressed the hope, however, that his Excellency would give Count Pourtalès clearly to understand that he would not allow the negotiations to be indefinitely prolonged by further demands on Germany's part: and M. Sazonow informed me that he proposed saying that while ready to consider any verbal amendments, he will not consent to any more alteration touching the tenour of the agreement.

I would only add that M. Sazonow changes front so rapidly from day to day, that I cannot guarantee that the final form of the agreement will exactly correspond with what he told me yesterday afternoon.

I have, &c.

GEORGE W. BUCHANAN.

[5542]

No. 89.

Sir E. Speyer to Sir Edward Grey.—(Received February 13.)

Dear Sir Edward,

7, Lothbury, London, February 13, 1911.

ABOUT two years ago, at an interview you granted me, I ventured to urge the importance of coming to an agreement with Germany regarding the Bagdad Railway, and explained that, having regard to the fact of M. von Gwinner, the president of the Bagdad Railway Company, being my cousin, I was in a favourable position to negotiate a commercial agreement, of which the basis would have been the control by English capital of the southern part of the line from Bagdad to the Persian Gulf.

I expressed myself sanguine with regard to the result of such negotiations.

Your reply was to the effect that, while the proposal in itself might be acceptable, nothing could be done without "*une conversation à quatre,*" as you could not act without the knowledge and consent of France and Russia.

The Germans declined to discuss the matter on that basis, and the matter dropped.

It was resumed by Sir Ernest Cassel, with your knowledge, and, as I understand, with your consent, but without result.

In the meantime the Persian question entered upon a more acute phase. The British Government's note to the Persian Government alarmed the Turks. The claims put forward by Great Britain as to her rights and privileges in the Persian Gulf section increased Turkish suspicion, so that the chances of Turkey agreeing to Germany ceding that portion of the concession to build the southern section of the Bagdad Railway to British capitalists are now very much reduced, if indeed they have not disappeared altogether.

The Potsdam understanding has removed Russia from the group of Powers supposed by the Turks to be antagonistic to the Bagdad Railway enterprise.

The position was further complicated by the Turkish loan negotiations, which terminated in the signing of a contract with Germany for 11,000,000*l.* Turkish bonds after France and England had declined to assist Turkey.

When I saw Sir Arthur Nicolson shortly afterwards he said that the Foreign Office did not then encourage British capital being put at the disposal of the Turkish Government, and at my interview with you in January you confirmed that, although you were not altogether averse to British investments in Turkey.

I ventured to tell you that as Turkey was a country with great resources, but in equally great need of capital to develop them, it seemed a pity if Great Britain were to miss the opportunity of participating in such development.

To continue a negative policy seems to me to place Great Britain at a political and commercial disadvantage. Reports from Constantinople which I have received from a person of position and authority who went out on my firm's behalf fully confirm what I have stated above, and lay stress on the great importance of a change in the British attitude towards Turkey, and of demonstrating that Great Britain's friendship for Turkey still exists.

The 11,000,000*l.* negotiation with Germany consists of 7,000,000*l.* firm stock, with an option on 4,000,000*l.* more. My proposal is to try to obtain that option stock and issue it here.

I am satisfied that there is no chance of participating in the firm stock, as the German syndicate, having taken the risk and being certain of placing the stock in Germany, would not for a moment consider any such proposal; but it would in my opinion be worth while trying to obtain the option stock for this country, and I venture to urge this, as I have reason to know that a friendly attitude on the part of the British Government in this matter would be welcomed in Turkey, and, further, would pave the way for an agreement regarding the Bagdad Railway. Russia could not now object, and as regards France, it is common knowledge that her objection to the loan was to a great extent due to the jealousy of each other amongst competing banking groups. Moreover, I understand that France has practically sanctioned a Turkish loan of 2,500,000*l.* for making roads.

Action of the kind I have ventured to suggest, if taken at all, should be taken very soon, but as I stated to you at our last meeting, I would not move without the good-will and encouragement of the Foreign Office. If that is forthcoming, I believe I am in a favourable position to negotiate for securing the option bonds.

[1773]

T

I am as confident as regards the outcome of such negotiations as I was two years ago regarding the Bagdad Railway proposals, and I trust that Great Britain will not miss this opportunity.

I am, &c.
EDGAR SPEYER.

[5394]

No. 90.

Sir G. Buchanan to Sir Edward Grey.—(Received February 13.)

(No. 36. Secret.)
(Telegraphic.) P.

St. Petersburg, February 13, 1911.

RUSSO-GERMAN negotiations. Your telegram No. 41, Secret, of the 11th February.

M. Sazonow is much pleased with your message, which I conveyed to him to-day, but he tells me that he is now faced by a new difficulty. On his submitting the revised version of the agreement to the Council of Ministers, that body had expressed the opinion that an outcry would be raised in Russia if the Government, before taking any steps to build a railway in North Persia to promote the economic interests of Russia, were to pledge itself to construct a railway which would facilitate the access to Persia of German goods. On the other hand, the Duma would never sanction the grant by Government of a guarantee for railways in Persia while the interior of Russia was still so badly in need of railway development. He therefore found himself compelled to turn for financial support to Paris and London. The construction of a line from Enzeli to Tehran would be sufficient, and he hoped to secure financial support for this line from the French and English financiers who were ready to participate in the construction of the line from Khanikin to Tehran. Secrecy must be observed with regard to the latter line until the agreement with Germany was published, while there was no such obligation with regard to the line from Enzeli to Tehran. It was therefore necessary that the two lines should be treated separately.

On my suggesting that he should take the opportunity of the publication of the Russo-German agreement to announce that the Russian Government intended to obtain a concession for the line from Enzeli to Tehran, his Excellency said that, before doing this, he must be sure that he could lay his hands on the money required for the construction of that line. I asked whether he would be satisfied with an assurance from His Majesty's Government to the effect that they would do what they could to interest British capitalists in the undertaking, but he said that he must have something more definite than this. The line from Enzeli to Tehran should, he thinks, prove more remunerative than the line from Khanikin to Tehran, and he points out also that the construction of the former line might be regarded as a first stage in the construction of the trans-Persian line to India. He said that it was impossible for him to hand to Count Pourtales the revised text of the draft agreement in its present form until he had received from London and Paris some assurances as to the financial aspect of the question.

[5574]

No. 91.

Sir G. Louther to Sir Edward Grey.—(Received February 14.)

(No. 38.)
(Telegraphic.) P.

Constantinople, February 14, 1911.

BAGDAD Railway.

Negotiations with Bagdad Railway Company are being conducted on the following basis, according to a voluntary statement made to me to-day by the Minister for Foreign Affairs:—

No revenues, such as future "temettu," future monopolies, surplus of ceded revenues, or 4 per cent., beyond those already accorded, to be asked for by the railway company.

The Turkish Government would probably grant the company an outlet at Alexandretta and call on it to give up its right to construct the section from Bagdad to the Gulf which was in a fair way of being reached, the internationalisation of the Bagdad-Persian Gulf section, though remaining an Ottoman railway, would be

proposed by the Porte to Great Britain and Powers interested, the suggestion being that France, Germany, ourselves, and possibly Turkey, should join in acquiring shares.

Although Bussorah could easily be turned into the outlet, the Turkish Government would prefer Koweit, but for that an arrangement with Great Britain as to its political status would be necessary. His Excellency observed that, from the standpoint of Turkey, the preservation of the present *status quo* was impossible, and obviously Ottoman territory was the only terminus for an Ottoman railway. His Excellency added that the international syndicate should also build the terminal port.

Rifaat Pasha asked me to keep what he had said secret, and observed that his object in speaking to me had been to let His Majesty's Government know the general view of the Ottoman Government in the matter, and that he would eventually communicate the proposals of the Turkish Government in writing.

His Excellency added that he would use similar language to the French Ambassador.

[5647]

No. 92.

Sir Edward Grey to Sir G. Barclay.

(No. 52. Confidential.)
(Telegraphic.) P.

Foreign Office, February 14, 1911.

I HAVE been considering the best means of safeguarding British interests in connection with the question of railway construction in Persia. In view of recent events and the rumours of a large railway loan, it would appear to me to be advisable in the first instance to recall to the recollection of the Persian Government the rescript dated the 16th September, 1888, which the then Shah addressed to the Minister for Foreign Affairs, giving a positive assurance to His Majesty's Government that no southern railroad would be granted to a foreign country without previous consultation with them, and that they should have priority over others in the construction of any line in that area.

It might be well to remind the present Ministers of the existence of this undertaking, which may have escaped their notice, and to say that we consider it to be still binding, and assume that it will be observed as a matter of course, notwithstanding change of régime (the analogy of the Bagdad Railway Concession would apply to this case). Before, however, making any communication to the Persian Government, I desire to have your views and those of the Government of India.

Were the Persian Government to accept such a communication in a reasonable spirit, we would add that His Majesty's Government, being animated as they are as much by their solicitude for the security, independence, and development of Persia as by a desire for the expansion of British commerce, would be willing to discuss with them the question of railway construction in the south, whenever they are ready. Until there are railways in the south the Central Government cannot hope to establish its authority, and the safety of transit would advance the economic welfare of Persia as much as it would benefit our commerce. But the disposition of the Persian Government must determine to some extent the discussion of the whole subject.

M. Sazonow has himself suggested to Sir G. Buchanan that we should apply at once for the concession of a line running from Mohammerah northwards. No opposition, therefore, need be anticipated from Russia on this head, and commercial opinion agrees as to the advantages such a line would possess.

In these circumstances, the two lines to which we attach the most importance are:—

1. A line from Mohammerah northwards to Khuremabad, with a branch to a port to be constructed at Khor Musa.
2. A line from Kerman to Bunder Abbas.

Others in order of merit are the following:—

3. A line from Bushire via Aliabad to some point on
4. A line from Bunder Abbas via Shiraz to Ahwaz.

If we decide to apply for a concession for the building of No. 1, I should like your views on the rather difficult question of how we ought to proceed in the matter. Should we in the first instance approach the Persian Government; or

should we apply to the sheikh and obtain their concurrence afterwards? If we approach the Persian Government, we should bear in mind the effect such action on our part might have on the position of the Regent.

The railway would have to be more or less under British management, though it would obviously remain Persian in name. The Persian Government might receive a percentage of shares as purchase money for the concession, while the syndicate who lend the money might be given a mortgage on line. No scheme has been considered in detail, but I do not anticipate any difficulty in obtaining money in the city for construction.

Before instructing Lieutenant Wilson to proceed with the survey of the section Dizful-Burajird (excluding that portion within the Russian sphere), for which it would be as well in the circumstances to utilise his services, we should like to know whether it would be safe for him to undertake the work in the present condition of the country, and whether he could do so at all without the previous consent of the Persian Government.

[5394]

No. 93.

Sir Edvard Grey to Sir G. Buchanan.

(No. 49.)

(Telegraphic.) P.

Foreign Office, February 14, 1911.

RAILWAYS in Persia.

Your telegram No. 36, Secret, of the 13th February.

In the case of any railways which would secure better access for British and Russian trade to Persia His Majesty's Government would be quite willing to see British capital help in their construction. The question of how British trade can be enabled to compete with rival routes from Mesopotamia by means of certain lines in Southern Persia is at the present moment under consideration, and in this connection it would be well to refer M. Sazonow to correspondence which took place in 1908, respecting Julfa-Mohammerah Railway. He will see that throughout we have been influenced by motives precisely corresponding to those by which Russia is influenced with regard to Enzeli-Tehran line.

We have every wish to help Russian Government, but we foresee great difficulty in inducing British capital, which is in no way under Government control, to invest money in Persian railways without some guarantee. We shall have to face that question ourselves in the case of project for southern lines, for which we could not obtain British capital without a Government guarantee. *A fortiori* it would be impossible to raise money for railway construction in Northern Persia when no guarantee is forthcoming from the Russian Government. If we decide to give any guarantees ourselves, we can, of course, only do it for southern lines, of which you will hear more, as scheme now under consideration matures.

We had assumed, in case of Tehran-Khanikin line, that there would be a Russian guarantee, or, if not then, an international guarantee; and I hope that M. Sazonow will see that it is impossible to induce British capital to invest money in north Persian railways without a guarantee, and to do for Russian trade in the north of Persia what it would certainly not do for British trade in the south.

[5575]

No. 94.

Sir E. Goschen to Sir Edvard Grey.—(Received February 15.)

(No. 36.)

Sir,

Berlin, February 13, 1911.

I HAVE the honour to report that the "Norddeutsche Allgemeine Zeitung," in its usual summary of the events of the week, refers at some length to the Bagdad Railway question, and says that it is remarkable how little attention is paid by excited writers in the British and French press to the statements recently made by the Turkish Minister for Foreign Affairs to a representative of the "Daily Mail." After briefly recapitulating the substance of the remarks attributed to Rifaat Pasha which were, as given here, to the effect that the Bagdad Railway Company had an undoubted right to build the line to the Persian Gulf, and that all negotiations connected with the scheme would be conducted by the Turkish Government direct with the company and not with the German Government, the "Norddeutsche" reproduces, by way of comment on this

statement, a telegram sent to the "Kölnische Zeitung" by its Berlin correspondent, which sums up the official German attitude at the present moment in the whole question.

After emphasising the readiness of the Bagdad Railway Company to welcome the participation of English and French capital in the enterprise, the "Kölnische" says that Germany has absolutely no reason for fearing such participation or for objecting to as much publicity as possible being given to the objects and mode of execution of the scheme. The writer then goes on to observe that if other people had been equally disinterested the railway might by this time have been completed, and then no doubt would have been left as to its real character, which was that of a great transversal line, intended in the first place to open up the more inaccessible parts of Turkey, and in the second to benefit equally the commerce of all nations. "In the consciousness that the line is intended to serve these purposes alone," says the "Kölnische," "Germany may calmly await the development of the situation without being made nervous by criticisms of the foreign press, which have no justification in fact."

The "Hamburger Nachrichten" also reproduces the telegram from the "Kölnische Zeitung," stating that it was probably inspired by the Deutsche Bank. It then goes on to quote a recent announcement in the "Neue Politische Korrespondenz" to the effect that up to now negotiations between Germany and England with regard to the Bagdad Railway had failed in consequence of the English demand for the internationalisation of the line—a demand which it was held on the German side Turkey could not accept, as the Bagdad Railway was a Turkish enterprise, which was only being financed and carried out by Germans. The "Hamburger Nachrichten" says that, should England again attempt to obtain any control over the line, she could only be successful on the condition of her unreservedly assuring to Turkey complete sovereign rights over the whole railway. Finally the article discusses the question of the terminus of the line on the Persian Gulf, "where Persian, Turkish, and Arab territory meet, the latter nominally under Turkish sovereignty but in reality partly independent and partly under British control." After observing that it was formerly generally admitted that the line must terminate at Koweit, the writer quotes "an apparently semi-official statement" in the "Münchener Neueste Nachrichten" saying that the opinion is gaining ground that Bussorah will have to be chosen as the terminus of the railway instead of Koweit. The "Hamburger Nachrichten" concludes by saying that it quite concurs in this view, as it would be much better that the line should, from beginning to end, be built on Turkish territory.

I have, &c.

W. E. GOSCHEN.

[5736]

No. 95.

Sir G. Buchanan to Sir Edvard Grey.—(Received February 15.)

(No. 39. Secret.)

(Telegraphic.) P.

St. Petersburg, February 15, 1911.

YOUR telegram No. 49 of yesterday. Russo-German negotiations.

I made a communication in the sense of your above telegram to M. Sazonow this afternoon. His Excellency told me that he had received from the Russian Ambassador in Paris a telegram stating that M. Pichon, in speaking of the proposed participation of France in the Enzeli-Tehran Railway scheme, had used hopeful and sympathetic language, and had promised to submit the proposal to the French Council of Ministers. He was evidently depressed by the nature of your reply. I asked him what steps he proposed to take, and he said that he had led the German Ambassador to understand that he would communicate the revised version of the draft agreement to him before the end of the present week, and he did not see how it would be possible now for him to prevent the Khanikin-Tehran line from falling to the Germans. I urged him not to abandon the formula which he had shown me, and pointed out that Russian public opinion might be satisfied if he would apply for a concession for the line from Enzeli to Tehran; time would thus be given to us for discussing the necessary financial arrangements. To this M. Sazonow replied that this would never be accepted by the Council of Ministers unless they got an assurance from us that Russia would not be required to defray the cost of construction. I next suggested that he might revert to the formula which I had proposed to him originally, but he said that this formula would also be objected to by Council of Ministers, which would

refuse to be a party to any arrangement calculated to secure a footing in North Persia for Germany. I ventured to point out that Russia, by refusing to contribute capital or give any guarantee, would be virtually abandoning all idea of railway construction in Persia or of maintaining her influence in that country. To this he replied that perhaps I was right, but that if the Government adopted this attitude they could not at any rate be reproached with having facilitated Germany's access to Persia.

I told him that our messenger arrived on Saturday, and begged him to do nothing until I saw him again after the messenger's arrival, remarking at the same time that if France was really ready to participate, and if it was possible, as he had himself admitted, that something towards the cost of the line from Enzeli to Tehran might be contributed by Russian financial houses, then he might always count on the possibility of private English firms being found willing to contribute the remainder. M. Sazonow said that he would wait, but insisted on the importance, both for Russia and for Europe in general, of some arrangement with Germany being arrived at. He said that he had heard from Count Benckendorff that Sir A. Nicolson had informed him that the Turkish Government was about to discuss the Bagdad Railway question with Great Britain. It appeared that Turkey had already sounded Germany as to approaching Great Britain, and the attitude of Turkey and Germany in this matter was one of the consequences which had resulted from the meeting at Potsdam. His Excellency added that he was unable to understand why Great Britain, if her requirements as to the Gulf section were about to be satisfied, was now taking up the question of the construction of railways in South Persia. I replied by observing that it was by no means certain that her requirements as to the Gulf section would be satisfied.

I venture to hope that it may be found possible to furnish me with instructions before next Saturday, the 18th February.

[5394]

No. 96.

Sir Edward Grey to Sir G. Buchanan.

(No. 46.)

Sir,

Foreign Office, February 15, 1911.

I TOLD the Russian Ambassador to-day of the substance of your telegram No. 36, Secret, and of my telegram in reply.

I explained to him that our great difficulty would be to induce British capital to invest in railways in the south of Persia. I anticipated that British capital would not do this in any railway in Persia without a Government guarantee. British capital could not be expected to do for Russian trade in the north of Persia what it would not do for British trade in the south.

The idea that the Russian Government might be unable to give a guarantee for the proposed railway in the north of Persia was new to Count Benckendorff, and caused him some surprise.

I also told him that M. Sazonow apparently thought that he could not proceed with the negotiations with Germany until the Russian railway in the north of Persia was assured.

I reminded Count Benckendorff that I had stated at the beginning of these discussions about the Potsdam negotiations that it would be a great pity if the Russian negotiations with Germany were broken off, as it would certainly make the relations between Russia and Germany difficult.

Count Benckendorff was fully alive to this consideration.

I took the opportunity of saying to Count Benckendorff with what great relief I had heard the news of the withdrawal of Russian troops from Kazvin.

I am, &c.

E. GREY.

[4216]

No. 97.

Sir Edward Grey to Sir G. Buchanan.

(No. 47.)

Sir,

Foreign Office, February 15, 1911.

I TOOK an opportunity of telling the Russian Ambassador to-day that the Turkish Minister for Foreign Affairs had spoken more than once to Sir Gerard Lowther on the subject of the Bagdad Railway, and had said that he expected soon to be able

to submit proposals in writing. But we had not so far received any written proposals, and we were therefore not yet negotiating. We had, however, expressed our willingness to receive such proposals and to consider them carefully.

Count Benckendorff observed that the Turks had presumably made an arrangement with Germany which would empower them to negotiate with us.

I said that I assumed that they were discussing the matter with Germany, but they had not yet told us definitely that Germany had given them a free hand to negotiate with us as they pleased about the section from Bagdad to the Gulf, which was the important question.

I am, &c.

E. GREY.

[5736]

No. 98.

Sir Edward Grey to Sir F. Bertie.

(No. 37.)

(Telegraphic.) P.

Foreign Office, February 16, 1911.

IN view of the fact that the Russian Government are not willing to provide either capital or guarantee for railway from Enzeli to Tehran, we have been asked by Russian Minister for Foreign Affairs for assurance that British capital would be forthcoming. Russian Minister for Foreign Affairs states that M. Pichon has given sympathetic and hopeful reply as regards French capital, and you should ask him what the prospect really is.

If the French Government can get Russian Minister for Foreign Affairs out of his difficulty on this point I shall be delighted, but I do not believe British capital can be induced to invest in any Persian railway without a guarantee.

[5574]

No. 99.

Sir Edward Grey to Sir G. Louther.

(No. 40.)

(Telegraphic.) P.

Foreign Office, February 16, 1911.

BAGDAD Railway. Your telegram No. 38.

We are willing to receive the Turkish proposals for consideration, and you may so inform Minister for Foreign Affairs.

[5930]

No. 100.

Sir Edward Grey to Sir E. Goschen.

(No. 45. Secret.)

Sir,

Foreign Office, February 16, 1911.

IN the course of conversation to-day Count Metternich reminded me that, before the Christmas holidays, I had held out the expectation that after the Cabinet had reassembled a reply would be sent to the German Chancellor's memorandum. He asked whether I could give him any further information.

I said that we had already sent a reply about the exchange of naval information. I had sent that without waiting for the Cabinet to meet, as Count Metternich had informed me that this was decidedly a matter which could be discussed independently of the general political discussion. You had already had a conversation with the German Chancellor about it.

Count Metternich said that he had lately heard that a communication had been received on that point.

As to the larger question, I told him, informally and privately, that the week before last I had drafted something which I thought might be given to the German Chancellor in the form of a memorandum of conversation, as the German Chancellor had given his communication to you. My absence last week, and that of the Chancellor of the Exchequer, had delayed matters a little. But the draft would be considered by the Cabinet now, and I hoped to be able to send the communication soon. I also hoped that it would advance matters a little further.

I saw nothing in what the German Government had stated on definite points, such as the Bagdad Railway or railways in Persia, that should prevent an agreement

between us. In Persia we had special political interests, not because we desired to push our own political influence, but because we did not wish to see the *status quo* disturbed in a way which might alter the political situation to our disadvantage. But this *status quo* did not, in our view, comprise exclusive commercial arrangements; and if, as I understood, the object of the German Government in Persian affairs was purely commercial and not political, I did not see why our respective commercial interests should not be susceptible of agreement.

Count Metternich entirely assented to the statement that German interests in Persia were commercial and not political.

He then asked me whether I had much news from Turkey; he mentioned the troubles in the Yemen, and finally asked whether anything was passing with Turkey about the Persian Gulf.

I said that Rifaat Pasha had informed us confidentially that he hoped to make proposals to us about the Bagdad Railway. We had expressed our willingness to receive and consider whatever proposals he made. But these conversations did not amount to much yet, and no doubt Rifaat Pasha had kept the German Ambassador in Constantinople informed of them. Our reply to the German Chancellor would probably touch upon the question of the Bagdad Railway, and it was a little difficult to know whether we were to negotiate with Germany or with Turkey.

I am, &c.
E. GREY.

[5542]

No. 101.

Sir Eduard Grey to Sir Edgar Speyer.

Dear Sir Edgar,

Foreign Office, February 16, 1911.

MANY thanks for your letter explaining your proposal to try to obtain and issue in this country the 4,000,000*l.* of option stock which go to make up the 11,000,000*l.* of the German loan to Turkey.

It is not in my power to control the operations of the British money market, and I cannot therefore give advice on the subject.

I am, &c.
E. GREY.

[6284]

No. 102.

The Earl of Crewe to Government of India.—(Communicated by India Office, February 17.)

(Telegraphic.) P.

India Office, February 16, 1911.

RAILWAYS in Persia.

Please refer to telegram dated the 3rd May, 1910, from your predecessor. Telegram was sent on the 14th February, 1911, to His Majesty's Minister at Tehran, to the following effect:—

[Already printed: See "Secret Series" print, February 1, Section 1 (5647)].

Your views on general question should be communicated as soon as possible by telegraph; propriety of railway guarantee to be shared by Treasury should especially be considered by you. Proposals made in the telegram from Sir E. Grey to His Majesty's Minister at Tehran are connected not with the scheme for a railway across Persia, but with situation created by Bagdad Railway. Lines of primary importance should be selected, as it seems necessary to avoid frightening the Persian Government by making too large a demand.

[5955]

No. 103.

Sir F. Bertie to Sir Eduard Grey.—(Received February 17.)

(No. 10. Secret.)

(Telegraphic.) P.

Paris, February 17, 1911.

WITH reference to your telegram No. 37 of the 16th instant, I have the honour to report that I saw M. Pichon to-day, and spoke to him in regard to the prospect of French financial assistance for the construction of the proposed Enzeli-Tehran Railway. M. Pichon told me that, in reply to an enquiry by M. Isvolsky as to whether the French Government would be prepared to facilitate the provision of French capital for this railway without a guarantee from the Russian Government, he had told his Excellency on the 12th instant that he would be personally very glad if the money could be found in Paris, but that it would be impossible to judge whether a French syndicate would entertain the Russian proposals until surveys had been made and estimates of costs and other details were examined. If the Russian Government would not give a guarantee, some other security would probably have to be provided.

M. Pichon thinks that concessions of some kind might be found to afford the requisite security.

[5956]

No. 104.

Sir F. Bertie to Sir Eduard Grey.—(Received February 17.)

(No. 11. Secret.)

(Telegraphic.) P.

Paris, February 17, 1911.

RUSO-GERMAN negotiations.

In the course of an interview with M. Pichon to-day, his Excellency told me that the Russian Ambassador had spoken to him on the 12th instant on the subject of the Potsdam interviews. M. Isvolsky said on that occasion that he knew that it had been thought in London that some secret agreement had been come to between Russia and Germany at Potsdam, and he enquired whether the French Government entertained any such suspicion. If such were the case, M. Isvolsky said, he was instructed to give to M. Pichon, in the name of his Government, the most solemn assurance that the Russian and German Governments had made no arrangements beyond those which had been communicated by the Russian Government to the Government of the republic.

M. Pichon replied that the French Government did not suspect their ally of having concluded with Germany any secret agreement which had not been divulged to them; but, at the same time, they considered it regrettable that the Russian Government had not taken them into their confidence before the arrangements with Germany were negotiated by M. Sazonow.

M. Pichon told me that M. Isvolsky had then said that he hoped that, should the French Government enter into any negotiations on the subject of the Bagdad Railway, they would keep the Russian Government informed of their progress, and that he had replied that he would be willing to act as M. Isvolsky had suggested.

[5736]

No. 105.

Sir Eduard Grey to Sir G. Buchanan.

(No. 55.)

(Telegraphic.) P.

Foreign Office, February 17, 1911.

THERE appear to be so many inconsistencies in M. Sazonow's statements, that a categorical explanation of my views on certain points which appear to be clear is the only reply that I can make to your telegram No. 39 of the 16th February.

1. After Russia has advanced so far, I entirely agree that a failure of negotiations between Russia and Germany would be politically disastrous.

2. The Russian Government are naturally in a better position than anyone else to weigh the disadvantage of giving Khanikin-Tehran line to Germany. We can hardly press objection if the Russian Government feel it necessary and can reconcile it with

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X

their interests, provided that, as regards other matters arising out of Anglo-Russian agreement, they keep their hands free to co-operate with us.

3. Without some guarantee I cannot hold out prospect of British capital being willing to invest in Persian railways. That French capital should do so either would have appeared to me extremely doubtful.

4. As regards Gulf section of Bagdad Railway, we do not yet know if we are going to get what we want, nor will a satisfactory settlement of this question prevent British trade from remaining dependent on line from Bagdad to Khanikin, and possible line from Khanikin to Tehran controlled by Germany. The acquisition of independent means of access by railways in South Persia, constructed under conditions which will secure equal commercial advantages, may become an important question for us, and in any case, in order to prevent railway projects in South Persia from falling altogether into other hands, His Majesty's Government desire to take up the question themselves.

The substance of the above has been communicated to the Russian Ambassador. You can speak to M. Sazonow in the same sense, adding that I summed up the situation to Count Benckendorff by saying that M. Sazonow must confirm his promise to Germany that a branch from Khanikin to Tehran shall be made, and that Russia must decide whether she will make the line herself or get it made by foreign capital, or leave it to Germany to make it. This question will have to be already decided by the time when, some years hence, the promise has to be fulfilled.

[6029]

No. 106.

The Earl of Creice to Government of India.—(Received at Foreign Office, February 18.)

(Telegraphic.) P.

India Office, February 16, 1911.

KOWETT. Please expedite your reply to my telegram of the 27th January, as the subject will shortly be broached by the Turkish Government. A scheme has been indicated by the Turkish Minister for Foreign Affairs, under which the Gulf section of the railway, though remaining Ottoman, would be internationalised, the shares being held jointly by Great Britain, France, and Germany, with the possible addition of Turkey. Control of the port, as defined in the 4th condition of my telegram above referred to, would presumably be considered essential by you.

[6086]

No. 107.

Sir G. Buchanan to Sir Edward Grey.—(Received February 18.)

(No. 42. Secret.)

(Telegraphic.) P.

St. Petersburg, February 18, 1911.

RUSSO-GERMAN agreement. Your telegram No. 55, Secret, of the 17th February.

I saw M. Sazonow to-day, and his Excellency told me that his revised draft of the agreement had virtually been accepted by the Council of Ministers. The articles as summarised in my telegram No. 33 of the 11th February, have now been further modified as follows:—

Article 2 begins: "Russia intends to obtain a concession for constructing a system of railways in North Persia, and engages at the same time to obtain a concession," &c., the remainder of the article reading as before.

This addition has been made in order to satisfy Russian public opinion.

The following has been added as a fourth article:—

"In the event of Russia waiving her rights in the matter of the connecting line mentioned in article 2 in favour of other concessionnaires, the remaining stipulations of the agreement will not be affected thereby."

This article is added in order to obviate the danger of Germany repudiating the agreement in the event of Russia ceding her right to construct the railway to an international syndicate.

M. Sazonow pointed out that the present formula would allow Russia time to make whatever financial arrangements might commend themselves to her, and he therefore

proposed to say nothing to Germany about the possibility of French or English capital participating. He added that he hoped that the Council of Ministers and the Emperor would now give their final sanction, and that he would in a few days be able to hand the revised document to the German Ambassador.

[6087]

No. 108.

Sir G. Buchanan to Sir Edward Grey.—(Received February 18.)

(No. 43.)

(Telegraphic.) P.

St. Petersburg, February 18, 1911.

RAILWAYS in Persia.

Your telegrams Nos. 52 to Tehran and 55 to me.

I saw M. Sazonow this afternoon, and communicated to him your views as to railway construction in the south of Persia. He asked whether His Majesty's Government were contemplating the construction of any special line, and I said that no decision had so far been arrived at on this point, but that I expected to hear shortly from you on the subject.

At the same time, I thought it well to remind M. Sazonow of the favourable views which he had expressed with regard to the construction of a line from Mohammerah to Khanikin. I added that, while the question of this line had not been considered in England, there had been some talk of a line from Mohammerah to Khorremabad. I presumed that the latter line would be as favourably regarded by him as the other.

M. Sazonow said that, in supporting the idea of the Mohammerah-Khanikin line, he had been actuated by the opinion that the construction of that line would put a stop to that of the Gulf section of the Bagdad Railway. The probability of such a line being eventually constructed had been brought to his notice in a telegram. This telegram he had submitted to the Council of Ministers, and the Council had approved the project on the same grounds—that its realisation would check the construction of the Gulf section of the Bagdad Railway. At the same time, the Ministers of Commerce and Finance had pointed out that, if the Gulf section of the Bagdad Railway were to be constructed as well, they would not regard the Mohammerah-Khanikin line with equal favour, as two such lines would be *de trop*. In these circumstances, he feared that these two Ministers would object to the scheme for a line running from Mohammerah in a due northerly direction. British railway interests, he would have thought, lay further to the south.

I then let the subject drop, but, in view of M. Sazonow's remarks, I think it would be well, before taking any steps for surveying the *tracé* of the Mohammerah-Khorremabad line, to obtain the assent of the Russian Government.

[5956]

No. 109.

Sir Edward Grey to Sir F. Bertie.

(No. 38. Secret.)

(Telegraphic.) P.

Foreign Office, February 18, 1911.

WITH reference to your telegram No. 11 of the 17th February, you might mention confidentially to M. Pichon that we had no suspicions of the character indicated by Russian Ambassador at Paris. We admit that M. Sazonow has been quite frank with us as to his difficulties, though we think he entangled himself too far at Potsdam.

[6648]

No. 110.

Sir Edward Grey to Sir G. Buchanan.

(No. 55.)

Sir,

Foreign Office, February 18, 1911.

COUNT BENCKENDORFF spoke to me to-day about a guarantee for the Tehran-Khanikin railway, saying that evidently it had been a British guarantee which M. Sazonow had had in mind.

I said that of course it was out of the question that there should be a British guarantee for a railway in the north of Persia or for the Tehran-Khanikin line; for the claims of British colonies, or of other places in which we were directly interested, would certainly have priority.

He then asked whether we would join in an international guarantee.

I replied that, if Russia, France, and Germany were all to guarantee the Tehran-Khanikin line, I personally should be in favour of joining in that guarantee, because I should then judge the matter, not as a commercial question, but as a means of political agreement. I could not, however, commit the Government, or do more than express my own personal opinion, at this stage.

I am, &c.

E. GREY.

[6159]

No. 111.

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 95.)

Sir,

Constantinople, February 11, 1911.

I HAVE the honour to forward herewith a despatch from His Majesty's consul-general at Beirut, reporting on the arrangements for the transport of 120,000 tons of rails for the Bagdad Railway by the new French Tripoli-Homs line to Aleppo.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 111.

Consul-General Cumberbatch to Sir G. Lowther.

(No. 13.)

Sir,

Beirut, February 2, 1911.

I HAVE the honour to report that Mr. Acting Vice-Consul Harris informs me that Meissner Pasha, the engineer of the Bagdad Railway Company, visited Tripoli towards the middle of January in connection with a contract between his society and the French Railway Company for the transport of 120,000 tons of rails from Tripoli to Aleppo as soon as the Tripoli-Homs section is finished and in working order.

Store-houses have also been rented for the use of the Bagdad Railway, and preparations are being made to build a stone quay for landing the goods that arrive for that enterprise.

These steps are taken as indicating an intention on the part of the Bagdad Railway Company to proceed actively with the last section of the line, and to use Tripoli as a base of operations.

I understand that the contract price for the carriage of the rails was high, and that in both fixing this and the rent for the stores at Tripoli none of the usual German frugal characteristics were manifested.

I have, &c.

H. A. CUMBERBATCH.

[6164]

No. 112.

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 100. Confidential.)

Sir,

Pera, February 14, 1911.

WITH reference to my despatch No. 62 of the 23rd ultimo, I have the honour to state that Rifaat Pasha to-day spontaneously spoke to me regarding the negotiations which were proceeding between the Ottoman Government and the Bagdad Railway Company for the extension of the line as far as Bagdad. He said that these, though not yet concluded, were, he hoped, approaching a solution, and were this hope realised, he thought he would be able definitely to lay before His Majesty's Government a plan for the completion of the final section from Bagdad to the Persian Gulf. The terms on which they hoped to agree with the Bagdad Company were that the section from El Halif to Bagdad should be undertaken without any further guarantees being required from the Ottoman Government.

The company would neither ask for the excess of the ceded revenues nor for any of the proceeds of the 4 per cent. customs increase, nor for the sums to be derived from the proposed temettu tax, nor from the monopolies which it was contemplated

establishing. He hoped then that the conditions laid down by His Majesty's Government, that the receipts from the 4 per cent. should not be devoted either directly or indirectly to the Bagdad Railway, would thus be complied with. I observed that your attitude, sir, on this question had always been that we could not agree to the additional 4 per cent. on our goods without our being able to point to some corresponding advantage for our traders in another direction. To this his Excellency assented, and said he thought we should find it in what he would propose later on in our conversation.

The company would then depend for the future sections on the revenues which had been set aside for the early sections, which, with some sacrifice on its part, would prove sufficient for the completion of the final sections to Bagdad.

It may also be that such large economies have been made on the building of the early sections that the balance will be sufficient for the final sections which, once the railway arrives at Aleppo, will be comparatively easy of construction. Rifaat Pasha went on to say that the company would be allowed to divert the present *tracé* of the line to Alexandretta, which concession it has always endeavoured to obtain, but to which the staff of the army had invariably objected. On the other hand, and this was the basis of the whole arrangement, the company would give up its rights to the building of the Bagdad-Persian Gulf section. His Excellency said that he had always understood that what we required was that our commercial interests in the Persian Gulf and Mesopotamia should be safeguarded, and that we feared that were the Bagdad-Persian Gulf section to fall into the hands of a third Power, our interests might be endangered. The Ottoman Government would consequently suggest that although the line would remain Ottoman, that section should be internationalised, Great Britain, Germany, presumably France, and perhaps Turkey, having each a share. Although Russia took an interest in the line, she would certainly not put any capital into it. The terminus of the line could be either Bussorah, which he understood could, without undue expenditure, be made into a good port, or Koweit. It was obvious that the terminus of an Ottoman Railway could only be in Ottoman territory, and if Koweit were eventually decided upon, some modification of the present unsatisfactory *status quo* would be necessary, and he hoped in view of the desire which existed, he believed, on both sides for more friendly relations, that a satisfactory solution of the Koweit question would become possible. The Ottoman Government would, of course, should the plan which he had outlined take shape, be prepared to give an undertaking in writing that Koweit should never be alienated to a third Power. His Excellency said also that the port of Koweit should in his proposed plan also be built by the same syndicate as the railway.

His Excellency said that later on he would be prepared to lay these proposals before me in writing, but he begged that in the meantime they should be regarded as confidential.

He would, however, take an early opportunity of communicating to the French Ambassador the conditions under which the Ottoman Government were negotiating with the Bagdad Railway, and his plans for the eventual settlement of the question.

I have, &c.

GERARD LOWTHER.

[6170]

No. 113.

Sir G. Lowther to Sir Edward Grey.—(Received February 20.)

(No. 106.)

Sir,

Constantinople, February 15, 1911.

IN my despatch No. 100 of yesterday, I stated that Rifaat Pasha had said that the Ottoman Government would be prepared to give Great Britain a written engagement not to alienate Koweit to a third Power. It is difficult to see what practical value such an engagement could have, and, to judge by your despatch dated the 20th January to the India Office, it would appear to be rather a question of obtaining, in certain contingencies, a reliable undertaking that the internal *status quo* of the Sheikh of Koweit's territory should be respected—a condition of things which would seem hardly compatible with the acknowledgment of Turkish suzerainty or sovereignty (as stated in your despatch No. 28, Secret, of the 18th January, to Sir F. Bertie). Koweit's land frontier is undefined, and has been considerably encroached on by the Turks, especially if we take as approximately accurate the map attached to volume I of W. G. Palgrave's

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Y

"Central and Eastern Arabia," where the sheikh's territory, marked in different colouring from that of Turkish and independent Central Arabia in 1865—i.e., shortly before the forward policy in those parts of Namik and Midhat Pashas—is shown as extending north of Fao. Presumably the land frontier would have to be defined, and stipulations made as to the administration on both sides of the line. The whole position is, in a way, vitiated by the abnormal condition of things in Constantinople, where the present Central Government can apparently maintain itself in power only in virtue of the state of siege, and would be almost certainly swept from office were the state of siege to be abolished.

In an article in the "Tanin," Ismail Hakki Bey Babanzade, deputy for Bagdad, discusses the question of an arrangement with England concerning the Bagdad Railway and the Persian Gulf. He says that, from the Turkish standpoint, "the fundamental question is the Persian Gulf, and the Bagdad Railway takes second place," mainly because, "on the former question, differences and misunderstandings have arisen, whereas on the latter it is only surmised that they may arise; although Ottoman sovereignty is established and clear in the Persian Gulf, it is attacked by England at some points, whereas in the matter of the railway even England admits that Ottoman sovereignty cannot be discussed." He goes on to say that the object of an understanding cannot be to assure important interests to England or any other Power, but should be to put an end to the rivalry of two Great Powers. "If the matter is judged with good-will it is clear that confusion cannot last, unless there is a secret aim of drawing unlawful profit from the confusion." Turkey, he says, has no such aim, but unfortunately the statements of the most important English papers do not point to England being animated by the same sincerity. The "Times," for example, talks of England insisting on having a right of "control" over the Bagdad Railway:—

"Any Ottoman statesman would be made to negotiate on the basis of control. Perhaps the talk of control is simply a scheme to nullify the negotiations from the start. But never mind, for at any rate part of the dark curtain will have been raised, and some of the secret aims disclosed, which is a gain in itself.

"If reasonable and permissible questions had been discussed before this absurd proposal was put forward, a more benevolent intention would have been shown. There is the Bahrein question, and certain other questions which are claimed as corollaries of it. There are the treaties concluded with sheikhs. One ought to examine the effect these treaties have as regards third parties. Above all, there is the Koweit question, &c."

Ismail Hakki Bey thus raises the questions of Bahrein, Katar, and the crucial chiefs, if not Muscat, and it would certainly seem politic, if not imperative, to settle definitely the status of those places, *vis-à-vis* Turkey, before in any way admitting Turkish pretensions to Koweit.

I have the honour to enclose a translation of an article in the "Ikdam," *à propos* of an arrangement regarding Koweit and the Gulf. It is conceived in a more reasonable and friendly spirit, but represents perhaps the non-committee point of view, as opposed to that of Ismail Hakki Babanzade, and other such extremists as are now in power. Should the present internal crisis lead to an elimination or weakening of the chauvinist element, any discussions with Turkey concerning Koweit, &c., could be carried on in a more satisfactory manner.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 113.

Extract from the "Ikdam."

TURQUIE ET ANGLETERRE.

LES Puissances s'occupent maintenant de leurs intérêts en Orient ou des intérêts qu'elles croient avoir en Orient. L'antagonisme entre les Puissances ne roule pas sur un terrain autre que celui des intérêts ottomans.

La période d'existence que notre vie politique traverse actuellement est très importante au point de vue de la sauvegarde de notre avenir. La moindre faute que nous pourrions commettre aujourd'hui dans notre politique étrangère peut donner lieu

à des conséquences des plus regrettables pour l'avenir. Aucun pays n'a une influence aussi grande que l'Angleterre. Il y a tant de questions qui nous unissent avec l'Angleterre et qui amèneront forcément un échange de vues contre les deux Gouvernements que nous devons connaître le plus tôt possible les points de vue de l'Angleterre sur toutes ces questions. Quoique l'Allemagne ou la Russie soient, à d'autres points de vue, regardées comme plus fortes que l'Angleterre, la diplomatie anglaise est, pour nous, plus importante que toutes les autres. Car c'est le Gouvernement anglais qui pourra jouer le plus grand rôle politique en Orient.

Nous proposons aux diplomates qui ne sont pas convaincus de ce rôle de l'Angleterre d'étudier les résultats politiques qui découleraient de la conclusion d'une entente entre l'Angleterre et une grande Puissance. Nous croyons que l'Allemagne, le plus grand concurrent, et le plus terrible ennemi de l'Angleterre dans les domaines du commerce et de la politique, hésitera à rejeter les propositions que l'Angleterre pourrait lui faire. Pour connaître les sentiments de l'Angleterre sur notre amitié envers elle, il faut nous rappeler sa politique après la proclamation de la constitution.

Sir Edward Grey avait fait preuve d'une grande activité pour sauvegarder les intérêts ottomans lors de l'annexion de la Bosnie et Herzégovine, et de la proclamation de l'indépendance bulgare. Si l'Angleterre a vraiment l'intention d'échanger avec nous des vues au sujet des intérêts à Koweït et dans le Golfe Persique, nous entamerons les pourparlers sans hésitation.

Nous trouvons vaine la prédiction de la "Vossische Zeitung," qui, en réponse au "Daily Graphic," dit qu'une entente ne pourra se produire entre l'Angleterre et la Turquie sur les diverses questions du Golfe Persique. Nous sommes sûrs que si nous ferons comprendre à l'Angleterre par une politique claire que nous avons des intérêts communs dans plusieurs questions, elle renoncera aux projets de Lord Curzon et modifiera même considérablement ses rapports actuels avec la Russie.

[6356]

No. 114.

Sir G. Barclay to Sir Edward Grey.—(Received February 20.)

(No. 53.)

(Telegraphic.) P.

Tehran, February 20, 1911.

RAILWAYS.

I concur in the course indicated in first three paragraphs of your telegram No. 52 of the 14th February, but I should prefer not to take action at the present moment. To broach the question of railways at this juncture would, I have good reason to believe, embarrass the Regent, and I think it would be politic to postpone moving in the matter for a week or two in the hope that Nasr-ul-Mulk will by then be firmly established. At the present moment his Highness is endeavouring to allay the anti-British and anti-Russian feeling in the country, and circumstances may shortly be more favourable for treating the railway question.

I would recommend, after consultation with Colonel Cox, that when His Majesty's Government decide to apply for the Mohammerah-Khorremabad concession I should be authorised to approach Persian Government and to inform sheikh as soon as application has been made, as I fear Persian Government would resent alternative course.

It appears to me highly desirable that Lieutenant Wilson's services should now be utilised for a survey of the sections outside the Russian zone. Colonel Cox telegraphs that since he wrote his despatch No. 2641 of the 2nd October to Government of India conditions have become more promising than he anticipated. Improvement may be only temporary, and Wilson should be authorised to start immediately if he is to undertake the work.

With regard to risk which will attend Wilson's journey, there appears no likelihood that there will be less danger at some later period. At all events, Wilson will be able to judge, after he has stayed a little at Dizful, of the advisability of persevering. The delay which has elapsed will, however, make it impossible for him to obtain final sanction alluded to in paragraph 5 of above-mentioned despatch of His Majesty's consul-general, and he will have to use his discretion in the matter.

I agree with His Majesty's consul-general in thinking that no useful object can be served by consulting Persian Government with regard to the proposed trip. They might try to obstruct; they could not in any case assist or protect.

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No. 115.

Sir Edward Grey to Sir G. Buchanan.(No. 49.)
Sir,*Foreign Office, February 20, 1911.*

I HAVE received your Excellency's despatch No. 37 of the 9th instant, reporting conversations which have taken place between yourself and the Russian Minister for Foreign Affairs relative to the negotiations in progress between Germany and Russia respecting the Bagdad Railway and railway construction in Persia.

The language held by your Excellency to M. Sazonow on the various occasions referred to has my warm and entire approval.

I am, &c.
E. GREY.

[6520]

No. 116.

Sir G. Buchanan to Sir Edward Grey.—(Received February 21.)

(No. 46.)

(Telegraphic.) P.

St. Petersburg, February 21, 1911.

RUSSO-GERMAN agreement.

My telegram No. 42 of the 18th February.

The revised draft of the agreement, in the form in which it was shown to me on Saturday last, was handed to the German Ambassador to-day. In handing it to Count Pourtales, M. Sazonow expressed to his Excellency the hope that it would be accepted as it stood, and that the German Government would not propose any alterations which were not of a purely verbal character. Count Pourtales offered no objection, and reciprocated the hope expressed by M. Sazonow.

M. Sazonow addressed enquiries to me as to our negotiations with the Turkish Government. I think it would have a tranquilising effect on him if I were authorised to tell him that His Majesty's Government would keep him informed as to the progress of these negotiations. I see that some such assurance has been given to the Russian Ambassador in Paris by the French Government. (Sir F. Bertie's telegram No. 11 of the 17th February.)

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No. 117.

Sir Edward Grey to Sir G. Barclay.

(No. 54.)

(Telegraphic.) P.

Foreign Office, February 21, 1911.

I AGREE in postponement as suggested in your telegram No. 53 of the 20th February.

You should in no case make any move without further instructions, as we have not yet learnt views of Government of India.

I should like to know whether you consider Mohammerah line to be of greatest importance to British commerce, or whether, in this connection, you prefer other lines.

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No. 118.

Sir Edward Grey to Sir G. Buchanan.

(No. 63.)

(Telegraphic.) P.

Foreign Office, February 21, 1911.

LIEUTENANT WILSON'S survey. Your telegram No. 43.

Do you consider that we should obtain Russian concurrence before giving Wilson his marching orders?

Of course, no survey would be undertaken in Russian sphere.

[5542]

No. 119.

Sir E. Speyer to Sir Edward Grey.—(Received February 22.)

(Private.)

Dear Sir Edward,

7, Lothbury, London, February 20, 1911.

I AM obliged for your letter of the 16th, in which you write "It is not in my power to control the operations of the British money market."

I am afraid the language and purport of my letter must have been misunderstood by you.

What I sought to obtain from you was a statement that the Foreign Office would not continue to discountenance the issue of Turkish bonds in this country.

If the Foreign Office disapproved of such issue the British public would not be asked by my firm to subscribe.

As your letter is silent on this point, from which approval cannot, in my opinion, be inferred, no attempt will be made to secure the option, and no issue will be made by my firm.

If the British public desire to invest in a new Turkish loan, they will have to apply to Germany or France, with the result that the preponderating financial interest in Turkish matters will certainly not be held in this country.

Yours very truly,
EDGAR SPEYER.

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No. 120.

Sir G. Buchanan to Sir Edward Grey.—(Received February 22.)

(No. 48.)

(Telegraphic.) P.

St. Petersburg, February 22, 1911.

PERSIAN railways.

Your telegram No. 63 of the 21st February.

If we do not consult M. Sazonow before beginning the survey of the line he may think, after his recent remarks to me, that we are not acting straightforwardly by him. I am, therefore, strongly of opinion that he should first be consulted. In our recent conversations, he has repeatedly referred to our approaching negotiations with Berlin and Constantinople in such a way as to give me the impression of suspecting that something is being concealed from him.

The Russian Government stated in their *aide-mémoire* of the 15th August, 1908, that some arrangement would have to be made to prevent the railway from Julfa to Mohammerah, which was then being discussed, from affecting injuriously the economic interests of Russia in North Persia. I think, therefore, that it would be well to inform M. Sazonow that the survey which we now desire to make is only a preliminary measure, and that we should come to an understanding with the Russian Government before taking any steps to construct the line.

[6520]

No. 121.

Sir Edward Grey to Sir G. Buchanan.

(No. 64.)

(Telegraphic.) P.

Foreign Office, February 22, 1911.

TURKISH proposals with regard to Bagdad Railway.

As yet we have received no definite proposals on the subject (see your telegram No. 46 of the 21st February), though we have informed the Turkish Government that we are willing to consider any which may be made in writing. Your Excellency will be kept posted on the subject for Minister for Foreign Affairs information.

[5542]

No. 122.

Sir Edvard Grey to Sir Edgar Speyer.

(Private.)

Dear Sir Edgar Speyer,

Foreign Office, February 22, 1911.

YOUR reply to my letter seems to imply that I must have some responsibility for your action.

The object of my letter was to say that I could not undertake responsibility for any action, positive or negative, in this question for the reason which I gave, and to this I must adhere.

Yours very truly,
E. GREY.

[6698]

No. 123.

Sir F. Bertie to Sir Edvard Grey.—(Received February 23.)

(No. 86.)

Sir,

Paris, February 22, 1911.

WITH reference to my despatch No. 77 of the 18th instant, I have the honour to inform you that, in the waiting-room at the Ministry for Foreign Affairs to-day, the Russian Ambassador referred, in conversation with the German Ambassador, to French newspaper habits, and stated that "La Libre Parole" had published an interview with him which had never taken place.

I have, &c.
FRANCIS BERTIE.

[6952]

No. 124.

Sir G. Buchanan to Sir Edvard Grey.—(Received February 25.)

(No. 49. Secret.)

(Telegraphic.) P.

St. Petersburg, February 24, 1911.

YOUR telegram No. 69 of the 23rd February: Railways in Southern Persia.

In accordance with your instructions, I made a communication on the above subject to M. Sazonow, who expressed his thanks. He made no comment, but only remarked that the report which had reached him as to a scheme for building a line from Mohammerah to Khanikin was presumably unfounded.

[7161]

No. 125.

Sir G. Buchanan to Sir Edvard Grey.—(Received February 27.)

(No. 44. Secret.)

Sir,

St. Petersburg, February 21, 1911.

SINCE the departure of the last messenger the Russo-German negotiations have been advanced a stage; and M. Sazonow has at last, after much hesitation and after repeatedly changing his position, succeeded in remodelling the draft agreement to his own and his colleagues' satisfaction. The difficulties with which he has had to contend during the past fortnight have proceeded not so much from the side of Germany as from the opposition which some of his proposals have encountered in the Council of Ministers.

In my despatch No. 37 of the 9th February I reported that the telegrams which he had received from the Russian Ambassadors in London and Paris had awakened him to the necessity of taking more account of the wishes of the British and French Governments. Such an impression, indeed, did these telegrams make on him that, after pondering over the matter for forty-eight hours, his Excellency sent for me and protested in an agitated and reproachful tone that his attitude with regard to the Tehran-Khanikin Railway had been completely misunderstood by His Majesty's Government. Had he not, he said, explained to us both before and after Potsdam that the possession of this line was a matter of vital moment to Russia? Why, then, were we now working ourselves up into a

state of excitement over it, in a way that we had never done over the Bagdad Railway question? Could I tell him what had happened? Had Count Benckendorff, who appeared nervous and excited, exaggerated matters? He had hoped that Sir A. Nicolson, who knew him and Russia so well, would have had more confidence in him, but he feared from the latter's language to Count Benckendorff that this was not the case. He was aware that much of the uneasiness felt at Paris on the subject was due to the fact that the French Ambassador had misrepresented him and had given his Government to understand that he had actually broached the question of the cession of the line to Germany with Count Pourtalès.

I replied that His Majesty's Government perfectly understood the special position which Russia occupied with regard to the line in question, but that they did not wish to see it pass into German hands. I had never told His Majesty's Government that he had submitted to Count Pourtalès a proposal for its cession, but I had felt it my duty to warn them that such a cession was an eventuality with which they might one day be confronted. I reminded his Excellency of all that he had said to me of the financial difficulties which prevented Russia engaging to construct the line herself, and asked what other impression his language could possibly have left on me but that he was seriously contemplating this step. All that M. Sazonow was able to answer was that it was not he, but the Minister of Commerce, who had in the Council of Ministers contended that, as the line could only further Germany's economic interests, it was better that she should bear the cost of its construction. He had personally always advocated keeping the control in Russia's hands, and had been endeavouring to effect an arrangement with which Russia would have participated to the extent of 60 per cent. The fact that the railway could not be built for another six years would have given him time to get over the financial difficulty.

I did not think it necessary to continue the discussion further, so I merely observed that any apprehensions which might have been felt in London would have been set at rest by my telegram No. 30 of the 8th instant, in which I had reported my last conversation with his Excellency. On my repeating to him what I had said in that telegram, M. Sazonow remarked that I had exactly expressed his views, though he subsequently attempted to deduce from a conversation which Count Benckendorff had had on the previous day with Mr. Tyrrell, on the subject of British participation, that our fears were not yet allayed. I reassured him on this point; and he then proceeded to impress on me the importance of our saying nothing either in financial or diplomatic circles respecting the idea of the participation of British capital in the Tehran-Khanikin line, for fear of its getting to Germany's ears. After a few more remarks on the same subject, his Excellency, somewhat unexpectedly, said that he would give me the *primeur* of the revised text of the draft agreement, although it had not yet been submitted either to the Council of Ministers or to the Emperor. He could not let me take a copy of it, as he wanted to be in the position to say to Germany, should the text again be divulged, that the only copies in existence were in the possession of the two Ministries for Foreign Affairs. He would, however, allow me to read it. I thanked his Excellency for this proof of confidence, and I had subsequently the honour to forward to you a summary of its contents in my telegram No. 33 of the 11th instant.

I called again on M. Sazonow on the 13th instant to convey to him your thanks and appreciation of the friendly communication which he had made to us. His Excellency expressed himself as much pleased with this message, but said that a fresh difficulty had arisen. The Council of Ministers had objected to the engagement which Russia was to take with regard to the construction of the Tehran-Khanikin line on the ground that the Russian public would denounce the Government for spending money on a railway which was to open the Persian markets to German trade before they had taken any steps to provide for the construction of a railway in the north which would render a similar service to Russian goods. He thought that a line from Enzeli to Tehran would suffice to tranquillise public opinion; but unfortunately the Duma would never allow the Russian Government to give a guarantee for any railway in Persia while railways were so urgently needed in the interior of Russia. He must therefore appeal to Paris and London for financial assistance, and he hoped that the financiers who were interesting themselves in the Tehran-Khanikin line would be disposed to take up the northern line as well. The line from Enzeli to Tehran might eventually constitute the first section of the trans-Persian railway, and, apart from this prospective advantage, was likely to prove a more profitable investment than the Tehran-Khanikin line. While the two lines might be treated as one as far as the financial arrangements for their construction were concerned, complete secrecy must be observed with regard to the latter until after the publication of the Russo-German agreement.

I suggested that his Excellency might meet this new difficulty by announcing, simultaneously with the publication of the above-mentioned agreement, that the Russian Government were taking steps to obtain from the Persian Government a concession for a line from Enzeli to Tehran. The question of financing the line could, I thought, be left for future discussion. M. Sazonow replied that he could not ask for the concession until he was sure of being able to find the necessary capital, as it was most important that this line should be commenced as soon as possible, so as to forestall the line from Khanikin to Tehran.

On the receipt of your telegram No. 49 of the 14th instant, I informed M. Sazonow that, without a guarantee on the part of the Russian Government, it would be very difficult for us to induce British capital to participate in either of these railways; that we were ourselves considering the question of the construction of railways in Southern Persia for the promotion of our economic interests; that we might eventually have to face the question of a guarantee; and that we could not compel British capital to do in Northern Persia what it would probably refuse to do in Southern Persia, viz., build railways without a Government guarantee. This communication seemed greatly to depress his Excellency. M. Pichon, he said, had taken a more hopeful and sympathetic view of the question, and he did not attempt to conceal his disappointment with our answer. He had, he said, promised to hand Count Pourtales the revised draft of the agreement by the end of the week, and, in view of what I had told him, he did not see how he could now prevent the Tehran-Khanikin line passing into the hands of Germany. I said that he could do this by adhering to the formula which he had inserted in his new draft, and by obtaining, at the same time, a concession for the Enzeli-Tehran line, or by reverting to the formula that I had originally suggested to him, under which Russia would reserve the right of inviting the participation of foreign capital. It was quite unnecessary to hand over the railway to Germany straight off. It would be time enough to do so if, in a few years' time, he found it impossible to raise the necessary capital either at home or in Paris and London. He should remember, moreover, that Russia's refusal either to give a Government guarantee or to subscribe her quota of the capital might entail the renunciation of her policy of railway construction in Persia and the consequent loss of her influence and prestige. M. Sazonow replied that this might be the case, but he feared that the Council of Ministers would not sanction either of the alternatives of which I had spoken. They would, he said, be "stoned" were they to contribute to an undertaking which would open the door to German goods in the south and leave it shut to Russian trade in the north. They could not, on the other hand, be reproached should the Tehran-Khanikin line be constructed in spite of their keeping entirely aloof from it. His Excellency, however, promised that he would do nothing till I saw him again after the arrival of the messenger in three days' time.

At the close of our conversation M. Sazonow observed that it was most important, both in the interests of Russia and of Europe, that an agreement should be arrived at between Russia and Germany. Sir Arthur Nicolson had given Count Benckendorff to understand that Turkey was about to approach us on the subject of the Bagdad Railway. She would certainly not take such a step without first assuring herself that it was approved at Berlin, and he thought that this more friendly disposition on the part of the German and Turkish Governments was the indirect result of the Potsdam interview. His Excellency evinced considerable curiosity with regard to the lines on which the approaching negotiations were to be conducted, and concluded by saying that if we were going to get all we wanted with regard to the Gulf section he could not understand why we were now taking up the question of railways in South Persia. I replied that His Majesty's Government were as anxious as his Excellency that the present negotiations should be brought to a satisfactory conclusion, but that, as regarded his last remark, it was by no means certain that we should obtain what we wanted relative to the Gulf section of the Bagdad Railway.

When I saw M. Sazonow on the 18th instant after the receipt of your telegram No. 55 of the preceding day, I was agreeably surprised to find that his Excellency had overcome the opposition of his colleagues to the wording of article 2, which deals with the Tehran-Khanikin Railway, by inserting a few lines at the commencement calculated to allay any apprehensions that might be felt here with regard to the northern railway. M. Sazonow allowed me to read once more the revised text of the agreement in what he gave me to understand would be its final form. It now consists of a preamble and four articles.

The preamble records the principle of commercial equality, recognises Russia's special political interests in Persia, and ascribes a purely commercial character to the interests of Germany.

Article 1 is a revised reproduction of the 4th article of the original draft, and the only important difference that I was able to detect was the omission of all reference to concessions of a territorial character.

Article 2 reads, as far as I can remember, as follows:—

"The Russian Government, having the intention of securing from the Government of the Shah the concession for the construction of a system of railways in the north, engages to obtain simultaneously a concession for a linking-up line for the Sadijeh-Khanikin Railway (without Tehran being specified as the junction), when that branch of the Konieh-Bagdad Railway shall have been completed."

Article 3 states that Russia will place no obstacles in the way of "cette entreprise," though she cannot be required to make any financial sacrifices. In the text which M. Sazonow showed me on the 10th instant the Konieh-Bagdad Railway was, if I am not mistaken, referred to as "the above-mentioned railway"—or words to that effect—instead of "cette entreprise." The article concludes with a revised version of the former 3rd article respecting the railways to the north of Khanikin, Germany engaging not to lend her material or diplomatic support to any such enterprise without a previous understanding with the Russian Government.

Article 4 is to the following effect:—

"Should the Russian Government waive, in favour of other concessionnaires, its rights with regard to the linking-up line provided for in article 2, all the other stipulations of the present agreement shall remain in force."

The object of the above article is to guard against the danger of Germany repudiating her obligations under the agreement in the event of Russia ceding her rights with regard to the Tehran-Khanikin line to any third parties. M. Sazonow told me that he did not intend to say anything to Count Pourtales respecting the possible participation of French and British capital. The formula which he was now submitting would give him a perfectly free hand, and enable him to make what financial arrangements he liked when the time came. It was probable, he thought, that Germany would insist on inserting in the 2nd article, after the words "engages to obtain simultaneously a concession for," the words "and to proceed to the construction of," but this was a small matter to which he would raise no objection.

In the course of our conversation his Excellency reverted once more to the question of our railways in South Persia, and enquired whether we had any particular lines in view. I told him that, though I expected shortly to receive a communication on this subject, I could give him no information, as nothing whatever had been decided at present. He would perhaps remember having spoken to me strongly a few weeks ago in favour of our constructing a line from Mohammerah to Khanikin. So far as I had been able to ascertain no such project had ever been put forward, but I believed that a line from Mohammerah to Khuramabad had been spoken of, and I presumed that this project would find equal favour with his Excellency. M. Sazonow replied that he had spoken as he had done in favour of a Mohammerah-Khanikin railway because he believed that such a line would strike a death-blow to the prolongation of the Bagdad Railway to the Gulf. The Council of Ministers, to whom he had communicated what he had heard on the subject, had approved the project on the same grounds. The Ministers of Finance and Commerce had, however, remarked that two such parallel railways would be *de trop*, and he very much doubted whether they would approve of a railway running due north from Mohammerah to the Russian sphere. He would have thought it would be more in our interests to construct railways further south, and he did not see what great advantages we would derive from such a line, as it would run for a considerable distance along the banks of the Karun.

On my calling on his Excellency this afternoon, M. Sazonow informed me that he had just banded to the German Ambassador the revised draft of the Russo-German agreement which he had shown me on Saturday. He had, he said, endeavoured to impress on Count Pourtales that he had gone as far as he could to meet the wishes of his Government, and had expressed the hope that the German Government would accept the agreement as it stood and would confine itself to proposing purely verbal alterations. Count Pourtales had reciprocated this wish and had personally raised no objections to the text.

In the course of our further conversations M. Sazonow once more referred to the subject of our approaching negotiations with Turkey. He had, he said, questioned the German Ambassador on the subject, but his Excellency had professed entire ignorance.

I told him that all that I knew was that we had informed the Turkish Ambassador in London that our ears were open to anything that the Turkish Government might wish to say to us on the subject of the Bagdad Railway, and that, so far as I was aware, no definite proposals had as yet been submitted to us. I think, however, that it would be advisable to satisfy his Excellency's curiosity, so far as we could do so, and to allay any apprehensions which he may entertain on the subject by promising to keep him informed as to the course of these negotiations. I see from Sir F. Bertie's telegram No. 11 of the 17th instant that M. Pichon has given M. Isvolsky such an assurance, and I fear that if we fail to do the same M. Sazonow may think that we are wanting in confidence towards him.

I have, &c.

GEORGE W. BUCHANAN.

[7150]

No. 126.

Sir G. Lowther to Sir Edward Grey.—(Received February 27.)

(No. 120. Confidential.)

Sir,

Pera, February 21, 1911.

WITH reference to my despatch No. 106 of the 15th instant, I have the honour to report that the local press here has recently contained several comments on the "negotiations" proceeding between the Porte and this embassy on the subject of the Gulf section of the Bagdad Railway, Koweit, and pending questions in the Persian Gulf, and that several newspaper correspondents have addressed themselves to this Embassy for information on the subject. I have told them that no such negotiations have begun, and that when they do their success will not be facilitated by my giving information as to the course of their progress. These rumours are in part traceable to the Turkish Cabinet, some members of which are anxious to represent that delicate negotiations are in progress with England, and their success would be endangered by prolonging or pushing to extremes the present Ministerial crisis. They are thus partly the outcome of party political manoeuvres. In an interview I had yesterday with the Grand Vizier, his Highness had practically nothing to add to Rifaat Pasha's communication reported in my despatch No. 100 of the 14th instant. I informed him, as instructed in your telegram No. 40 of the 16th instant, of your readiness to consider any proposals that the Ottoman Government might make on the subject. Hakki Pasha referred to Rifaat Pasha's communication, and said that the difficulty was that they could not begin negotiations with us until they had settled with the German company the basis of their renunciation of their rights in the Bagdad-Gulf sections, and that before arriving at such a settlement it was necessary to ascertain and lay down the general nature of the arrangements to be made for the continuation of the line from Bagdad to the Gulf. He alluded to the pecuniary indemnity claimed by the German company, when Herr Gwinner had discussed matters with Sir Ernest Cassel in Berlin, on the basis of 2,000*l.* per kilometre on the Bagdad-Gulf sections, as a set-off against the prospective diminution of profit on the working expenses on the other and more expensive sections of the line, and said that Koweit was of course the natural terminus and harbour, but that, if it was impossible to come to a satisfactory arrangement on that point, Bussorah would have to become the terminus, despite its obvious drawbacks, and, referring to Koweit, remarked that "England might feel assured that any place she recognised as Turkish would remain Turkish." Hakki Pasha's use of the word "recognise," if intentional, would seem to indicate his contemplating the possibility of being unable to induce England to recognise the place as Turkish in the committee's acceptance of the word. On the latter point Ismail Hakki Bey Babanzade, in an article in the "*Tanin*" of which I have the honour to enclose a translation, gives us the committee standpoint. He would only allow the sheikh the autonomy of any Mesopotamian Arab tribes, *e.g.*, the Beni Lam, Muntefik, &c., and would insist on having Ottoman police, customs, and gendarmerie in Koweit, thus restoring Ottoman influence, which has suffered some sort of interruption since 1902, to its original condition." He seems conveniently to ignore the fact that previous to that date Turkey can point to no real act of sovereignty in Koweit, *e.g.*, levying of taxes or direct administration in any form. I have before alluded to the intention of some members of the committee to invite England to refer the matter to arbitration. Ismail Hakki Bey has laid great store by the argument that Sheikh Mubarak has accepted the exclusively Ottoman title of pasha. It may be well to remember that

Prince Ferdinand also accepted the title of pasha, as Vali of Eastern Roumelia, where there were no Ottoman police, gendarmerie, or customs. The Turkish claim to Koweit, Katar, Debai, &c., on the grounds that such places acknowledged Ottoman sovereignty or suzerainty in the sixteenth century is of course preposterous. They have then only the basis of conquest or the inadmissible Islamic basis. The constitution proclaiming "Ottomanism" as opposed to theocratic Islamism implied a renunciation of claims on purely religious grounds. The Turks have the title of conquest to El Katif and El Hasa, but they have no such title to Koweit, which was independent even after the Midhat Pasha conquests. The independent sheikh may subsequently have yielded a semi-religious and semi-temporal allegiance to the Sultan-Caliph, but in 1902 he broke such ties and bound himself to Great Britain. Ismail Hakki Bey's estimate of Turkish influence previous to 1902 is thus exaggerated.

I understood from Rifaat Pasha to-day that the negotiations with the German company are not proceeding as smoothly as when he last spoke to me; and it may be that when pourparlers with us are actually started Ismail Hakki Bey and men of his type may be less influential than they are to-day.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 126.

Précis of Article in the "Tanin" of February 20, 1911.

Discussion about an Entente with England.

FOR some time there has been keen anticipation of discussion for bringing about an *entente* between the Ottoman Government and England concerning the Persian Gulf, the last section of the Bagdad Railway, &c., and the latest information goes to show that the foundation-stone is to be laid by an exchange of views between Rifaat Pasha and Sir Gerard Lowther. The opinion expressed by the former, that such important questions ought to be discussed by statesmen and not in the columns of newspapers, is thus confirmed.

To judge by the unreasonable claims of the "*Times*" and similar papers, there was no hope of peace between the two parties. But in the more moderate papers there has appeared a change full of promise. For instance, the "*Statist*" says that it is the act of a novice for England to play an ambitious, grasping rôle; that Turkey has the right to increase her resources, and therefore cannot remain without railways; that England has no right of veto over the extension of the Bagdad Railway in Turkey; and that once upon a time many English politicians opposed the Suez Canal project. This attitude shows us that the sense of what is right is not quite extinguished in the English, which brings us hope and consolation. Nevertheless, there are still inconsistencies caused by ignorance. For instance, a telegram from London to a French paper says that the English Cabinet will confirm Ottoman sovereign rights over Koweit without difficulty, provided the sheikh's autonomy is respected and the harbour of Koweit is left in English hands. Koweit harbour has nothing to do with England even now. Is it to be anglicised as a reward when Turkey has adopted a favourable policy towards England with regard to the last section of the Bagdad Railway? How can the expressions "Ottoman sovereignty" and "English harbour" be reconciled? To tell the truth, the telegram is nonsense; and we think such a scheme is no more likely to be put forward by England than to occur to Turkey.

The real bone of contention is the Persian Gulf. With regard to the Bagdad Railway, there is no disagreement between the two Powers, and officially there cannot be; it is a weapon—a dependent question—which will serve to settle the main question. We do not know how far our views are shared officially; but if there is one thing certain, it is that our consenting to listen to England's aims and objects with regard to the Bagdad Railway is a great favour and sacrifice. There is mutual sacrifice in a bargain; and we ask England for her views on the last section of the Bagdad Railway, and tell her to give up her important position in the Koweit and other questions. That is the first foundation-stone of an *entente*.

We think England is coming round to this view. The object of "control" is now seen to mean preponderant participation in providing the capital, English being a

language which admits of such elasticity. All the row about the word "control" must therefore be attributed to the elasticity of English.

If the matter had been a piece of plain business, there would have been no need for discussion with the British Ambassador about the railway; there would have been negotiations between the Ministry of Public Works and the company which was willing to provide the capital. But as the real object was the Koweit and Persian Gulf questions, it was felt that diplomatic approval was needed. When the basis of the *entente* has been laid with regard to the political and diplomatic points, the commercial and economic part of the question ought to resume its natural course and to leave the soft catpaw of diplomacy with its hidden claws.

Our estimate and firm conviction is this—

1. That the first cause of hesitation will be removed by fixing on Koweit as the terminus of the Bagdad Railway.

2. The Sheikh of Koweit's autonomy will be maintained in accordance with the principles followed with regard to tribes; but as the position of Koweit will increase in importance and delicacy there will have to be police, customs, and gendarmerie in the harbour, and they will be Ottoman. In this way Ottoman influence, which has suffered some sort of interruption since 1902, will return to its original condition. A harbour will have to be built in Koweit, and there is no objection to its being constructed with foreign capital; but the position of the harbour will not differ from that of any other of our harbours which have been built by foreign capital. Our advantage lies in putting an end to the doubtful position of Koweit, while that of England consists in being easy in her mind and not afraid of a (undecypherable) which interests her commerce a great deal. The extraordinary advantage that will accrue to Indian commerce is different—for the Bagdad Railway will give it life as the Suez Canal gave life to England. This means that in order to gain the trifling advantage of a clearer definition of Turkey's position in Koweit we practically give England a future security and life—a bargain in which England is again the gainer. But we allow ourselves to be taken in over this bargain in order to extend our future friendly relations with England. If the "Times" and its like complain at this sign of friendship, and Lord Crewe, Lord Lansdowne, and others again sow the seeds of coldness by references wounding to Ottoman dignity, England will be harmed not by us but by English statesmen.

[7409]

No. 127.

Government of India to the Earl of Crewe.—(Received at Foreign Office, February 27.)

(Telegraphic.) P.

February 23, 1911.

PLEASE refer to your telegrams dated the 27th ultimo and the 16th instant regarding Koweit. Following telegram, dated the 10th February, received from Resident, Persian Gulf, who was authorised, during visit he was paying to Koweit, to endeavour, without informing sheikh of motives, to elicit the latter's views:—

"Sheikh has been assured by the present vali, whom he has not yet met, that Turkish Government were ready to grant him a firman guaranteeing to preserve his present position and to abstain altogether from interfering in Koweit government or affairs, if only he would comply with their wishes by taking out Turkish papers for his son[s]. These overtures, the sheikh said, he had always rejected (1) because he believed his action in so doing to be in accordance with our wishes; (2) because he thought that an adjustment on other lines of difficulty regarding property would be achieved by us in due course, in virtue of our agreement with him. It was his personal belief that he would in future receive fair play in regard to his Turkish property, if he placated the Turks by registering his son[s]. He said that, in his own case, he would not apprehend likelihood that such registration would result ultimately in Turkish interference at Koweit, despite the firman; he felt, moreover, that his engagement with us safeguarded Koweit; but he must in this connection accept our estimate of future possibilities, which he considered British Government were much better able to gauge than himself.

"Sheikh replied in the affirmative to an enquiry whether, in the event of Turkish Government being ready to grant firman in satisfactory terms, and of our obtaining from Porte documentary undertaking of strict observance of firman, he considered that he would be rendered quite secure.

"Above means would appear to provide sufficient recognition of Turkish sovereignty to satisfy Turkish Government, and provided our engagements with sheikh held good and were reaffirmed, it would apparently not be resented by sheikh himself.

"With regard to suggested payment of tribute by sheikh, it is correct, I think, to say that tribute never has been paid by sheikhs of Koweit. Receipt of compliments, honorary title of kaimakam, annual presents of dates from Bussorah, [authorities?], and sending of voluntary co-operation, such as that rendered in 1871 to Midhat Pasha, in time of emergency, have been the extent of indications of Koweit sheikhs' dependence on Turkey. There might be a tacit resumption of these indications, which ceased in 1898; but I earnestly deprecate any suggestions of payment of tribute which would seem unnecessary and unexpected. Sheikh would greatly resent any such suggestion, and impression created amongst other Arab sheikhs in relations with us would be of worst possible character.

"With reference to suggestion No. (4), effective control by land as well as by sea, such as is exercised by us in Egypt, is, I presume, meant by 'control of port.' Unless that is so, and especially if we did not control last section of the railway, frontier would, I consider, be fraught with innumerable impracticabilities.

"Questions of ex-territoriality, &c., would necessarily arise, when once Koweit had become terminus of railway, and large commercial port with foreign business houses; and a more civilised administration, over which British Government, who would deal with foreign Powers on sheikh's behalf, must exercise supervision, would have to be substituted for crude régime of sheikh.

"Stipulation that Warba, Bubiyan, and Um Kasr be recognised as in sheikh's sphere of control, and removal of present Turkish guards, should be included in any formal recognition of Turkish suzerainty.

"Stipulation would also appear to be necessary that definite decision to make Koweit the terminus should be specific condition of recognising suzerainty. Unless this stipulation is made, it would be open to Germany, after bringing about such recognition on our part, to say that most convenient place for terminus had been decided, on further consideration, to be at Fao or Bussorah. It must be borne in mind in this connection that it might have been found necessary by us, in connection with requirements of oil trade or railway from Mohammerah to Julfa, to dredge the bar before Bagdad Railway reaches Persian Gulf.

"It is clear, moreover, that transference of large customs duties and transit duty now rendered by Turks at Bussorah to Sheikh of Koweit's pocket will not be agreed to by Turkey, while sheikh would not allow Turkish Government to get bulk of customs revenue. Fair division will thus be essential if Koweit, not Bussorah, is to be terminus. Selection of terminus, it would seem, will be consideration which will mainly influence selection.

"I consider that opening of railway negotiations, if not long deferred, may be awaited before Fadaghia question is settled."

Change of policy is involved by proposal of His Majesty's Government, and it is earnestly recommended that nothing in our position should be surrendered until (1) predominant control, say 60 per cent. of capital and control as minimum, is secured by us in section of railway from Bagdad to Koweit; (2) absolute control of harbour and port of Koweit, by land and sea, is shared by us with sheikh.

As a corollary, it is further urged that, before negotiations as to suzerainty are concluded, we should secure specific assurance that Koweit shall be terminus. Resident's views have my general support, provided these essential conditions can be secured. Preferably no question of payment of tribute should be raised; all that is required would seem to be an arrangement under which customs receipts at Koweit are divided between Turks and sheikh, to compensate the former for losses of revenue at Bussorah. It is also assumed that our own agreements with sheikh will not be invalidated by recognition of Turkish suzerainty.

[1773]

2 B

[7212]

No. 128.

Sir G. Barclay to Sir Edward Grey.—(Received February 27.)

(No. 68.)

(Telegraphic.) P.

Tehran, February 27, 1911.

RAILWAYS. Reference to your telegram No. 54, dated the 21st February.

Of the proposed railways in Southern Persia, British trade would, I think, benefit the most by the Mohammerah-Khorembad line. Developments in Bagdad Railway and in Russian railway construction in the north would, of course, determine the degree of its usefulness.

A direct route would be provided to the district, of which the distributing centre is Hamadan, from where 40 per cent. of British imports into Persia are distributed. This current of British trade now passes via Bagdad, and if this market is to survive, it would appear essential, in view of the scheme to link up the Bagdad Railway with Hamadan, that the Mohammerah line should be constructed, unless we can be sure that the control of the Persian Gulf section of the Bagdad Railway shall be in British hands, and that we can prevent British sea-borne trade via Bagdad being penalised out of the market.

The Mohammerah line would lose much of its importance for our trade if we could be sure on this point; it would, nevertheless, I believe, still afford the cheapest means of access for British merchandise to the important market of the region round Hamadan. Also, it would not seem desirable to abandon to the enterprise of third Powers the important south-west corner of Persia.

In the event of Russia linking up her railway system in the north with Khorembad and allowing British goods fair play, the usefulness of the line would, of course, greatly increase. This prospect is, however, unlikely, as such a link would be very disadvantageous to Russian interests, but even so, with the Mohammerah-Khorembad line we should be better placed to defend our trade against Russian commercial invasion should Russia begin to construct southwards from Tulfā.

If His Majesty's Government decide for any reason to postpone for the present the prosecution of this scheme, Colonel Cox is of opinion that we should have recourse to a line from Ahwaz or Mohammerah to Shiraz and Bunder Abbas via Khor Musa, Bushire being linked up by a branch.

Bunder Abbas-Kerman line is, of course, not so urgent, as it would lie in our zone. Please refer to my despatch No. 232 of the 19th December. I am informed by Mr. Preece that the word "tramway" was only employed to avoid using the word "railway." He hopes that under a new Cabinet his scheme may be adopted.

[7629]

No. 129.

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 1.)

(Telegraphic.) P.

February 23, 1911.

PLEASE refer to your telegram dated the 16th instant.

We are sending by this mail, in connection with trans-Persian railway, a despatch regarding railways in Persia, in which all four lines referred to in your above-mentioned telegram have been discussed. A line from Mohammerah to Khorembad would have to compete with trans-Persian railway and with the line from Bagdad to Khanikin, and consequently would, in our opinion, be useless for practical purposes. Now that trans-Persian railway is to be counterpoise to Bagdad Railway, line from Julfa to Mohammerah, which would have been useful as a counterpoise to that railway, has quite lost its value. In these circumstances concession for Mohammerah-Hamadan line should be obtained merely for earmarking purposes, as against any attempt at a connection by this route of Bagdad Railway extension with the Persian Gulf. At the same time dispatch of Wilson to survey Dizful-Burujird section up to Russian sphere would probably be a good move politically. We share view of resident, Persian Gulf, that prior consultation with Persian Government is unnecessary. Wilson asks for services of soldier surveyor, which we would give him.

Lines (1) between Mohammerah and Bunder Abbas, via Khor Musa, Behbahan, and Shiraz, and (2) between Kerman and Bunder Abbas, have our strong support; but line via Kirgiz from Bushire to join line (1) is deprecated by us. Cost of such a line would be very great, and both as a bar to German enterprise and as a commercial

project it would be quite unnecessary, since all trade would be attracted to Bunder Abbas by Bunder Abbas-Shiraz-Mohammerah line, and importance of Bushire as a port would be entirely destroyed. As regards financial responsibility on account of railway guarantee, we are prepared to discuss proposals for sharing liability with Imperial revenues.

[7646]

No. 130.

Lord Grimthorpe to Sir Edward Grey.—(Received March 1.)

Dear Grey,

80, Portland Place, London, February 26, 1911.

I REGRET to have to trouble you once more, but this time it concerns a business into which I could not enter without the consent and approval of the Foreign Office. The papers enclosed refer to the completion of a railway commenced by Russia in Persian territory, but abandoned at the instance of the British Government. Now, apparently, they are free to go on with it, and are anxious to do so. Perhaps you may remember that when I wrote to you last I was sending my representative, Mr. Williams, to examine a forest in Manchuria. It turned out to be better than was represented, and we have bought it. On his return journey he made friends with a highly placed Russian official, who told him about this railway. He has recently received a telegram from the Finance Minister that he is ready to treat with responsible people. After consultation with financiers in London and Paris, I find that it will be easy to arrange for the construction of the railway (for which no enormous sum is required) upon certain terms, which they have laid down. If the Foreign Office sees no objection, Mr. Williams will proceed to St. Petersburg and will try to obtain those terms. If he cannot obtain them the business will be dropped; if he can, the railway will be made. The Russian official informed him that the Deutsche Bank were trying to get the concession, but that the Russians preferred to give it to an English syndicate, if satisfactory terms could be arranged. If either Germans or English are to make this railway, I should think it would be advisable to exclude German influence from that part of the world, if possible, but that is a political question upon which I am not competent to offer an opinion, as the direction of English policy in that part of the East depends on facts, tendencies, and negotiations with which you only are acquainted. Therefore I leave the matter entirely in your hands, and we will open negotiations, or go no further in the matter, just as you think may be best for English interests.

Yours sincerely,

GRIMTHORPE.

Enclosure 1 in No. 130.

Note respecting Julfa-Tabreez Railway.

[Printed literally.]

SOME fifteen years ago the Russian Government wanted to build a railroad of strategical interest from the frontier almost until Tehran.

The English Government then opposed most decidedly against this plan, and Russia then only built a main road until Tabreez, and Russia entered an understanding with England, according to which Russia undertook that it would not put rails upon the road before the 31st March, 1910.

The road anyhow has been built in such a way that 118 versts of the road, the whole extension of which is 140 versts, are built in a way as to carry immediately sleepers and rails.

This road has been built by a company on shares, the shares of which really are in possession of the Russian Ministry of Finance.

His Excellence P., real states counsel, is the chairman of this company, and of course he also belongs simultaneously to the staff of the Finance Ministry.

His Excellence P. got in the beginning of January (Russian style) from the Minister of Finance the authorisation to treat for the financing of this railroad.

This railroad not being on Russian territory, and being bound after ninety-five years to fall back to the Persian Government, the Russian Government can guarantee nothing on this railroad, and cannot ask money from the Duma for it, and in general, for political reasons, prefer to make it a seemingly private concern.

However, the Russian Government is prepared to throw in its stock, valued at about 4,600,000 roubles, which consists in shares of the company equalling the cost price of the roads, &c., already built, as a kind of guarantee for the debentures to be issued. The Persian Shah has to get a half of the remainder of the profits after the shares have got 15 per cent. dividend.

The application for the concession, according to my knowledge, has been made since my departure from St. Petersburg.

Enclosure 2 in No. 130.

Short information about the Building of a Railroad on the Main Road of Tabreez.

LENGTH of the road 140 versts, of which ready to put the rails and sleepers on 118 versts, whereas 22 versts to be built.

According to the statistical information concerning the cargo movement between Russia and Persia across the trans-Caucasian frontier on hand, the movement to and fro for the line to be constructed and for 1910 is contemplated with about 6,000,000 pood.

Gross Income.

Income for cargo traffic, at rates from $1/6\frac{1}{2}$ per verst and pood, "petite vitesse"—

	Roubles.
(1.) Traffic on "grande vitesse" is not taken into consideration—	
would give	1,035,000
For passenger traffic, post and telegraph	390,000
Total	1,425,000

Expenses.

	Roubles.
Expenses on exploitation—	
(1.) In connection with the traffic—	
Cargo traffic	144,500
Passenger	92,000
(2.) Independent of the traffic	560,000
Total	796,500

	Roubles.
Capital for construction and expenses on capital—	
Expenses for the construction the rolling stock and the concession	
(concession, 300,000 roubles) estimated at	9,300,000

We presume to issue $4\frac{1}{2}$ per cent. debentures for the ninety-five years' concession at 86 per cent., the issue to be made at once for the whole amount. Time for the construction, two years.

Under such conditions there will be loss on the issue reserve for two years' interest and taxes for a total of 21.17618 per cent. of the capital.

Therefore the nominal capital, not including the promotion expenses, shall have to be 11,800,000 roubles.

The interest on these debentures will be about 540,000 per annum.

Consequently, roughly spoken the result would be—

	Roubles.
Gross income	1,425,000
Expenses on exploitation	796,000
Interest on debentures	540,000
	1,336,000
Remainder	89,000

St. Petersburg, January 1911.

London, February 23, 1911.

[7662]

No. 131.

Sir G. Lowther to Sir Edward Grey.—(Received March 1.)

(No. 52.)

(Telegraphic.) P.

Constantinople, March 1, 1911.

I HAVE just received the written proposals of the Turkish Minister for Foreign Affairs respecting the Bagdad Railway, and am forwarding them by to-day's bag. They do not differ materially from the communication which, as reported in my despatch No. 100 of the 14th February last, Rifaat Pasha made to me verbally. I merely said that I would forward the memorandum to you.

The proposals of the Porte are to form a new joint-stock company, with capital furnished by British, French, and German capitalists, and by the Ottoman Government, the latter providing 40 per cent., the others 20 per cent. each.

Provision for cost of construction to be made by State bonds to be issued in Constantinople, Paris, Berlin, and London.

As the political status of Koweit, which is mentioned as the most suitable terminus, presents certain "particularities," and as the Ottoman Government must have the terminus under their direct administration, it will be necessary to regularise the relations of Koweit to the Ottoman Empire.

The memorandum also calls attention to the utility of reaching an understanding regarding the respective rights in the Persian Gulf of the two Powers.

[7662]

No. 132.

Sir Edward Grey to Sir G. Lowther.

(No. 56.)

(Telegraphic.) P.

Foreign Office, March 2, 1911.

BAGDAD Railway.

It is essential that we should have precise information as to whether the Turkish proposals as communicated in your telegram No. 52 of the 3rd March have been made with the approval and cognisance of the German Government.

Please make necessary enquiries of Turkish Government.

[7880]

No. 133.

India Office to Foreign Office.—(Received March 3.)

Sir,

India Office, March 3, 1911.

WITH reference to your letter of the 20th January regarding the status of Koweit, I am directed by the Secretary of State for India to forward, for the information of the Secretary of State for Foreign Affairs, copy of telegrams exchanged with the Government of India.*

I am to say that the Earl of Crewe concurs in the opinions expressed by Lieutenant-Colonel Cox and the Government of India. The necessary conditions antecedent to any concession on the part of His Majesty's Government with regard to the status of Koweit appear to him to be:—

1. The securing for His Majesty's Government of predominant control in the Bagdad-Koweit section of the Bagdad Railway, for which purpose he considers 55 per cent. of capital and control inadequate.

2. A binding assurance that Koweit will be the terminus.

3. The absolute control, jointly with the sheikh, of the harbour and port, both afloat and ashore.

4. A satisfactory agreement between the sheikh and the Turkish Government as to the division of customs and transit duties. In return for this, His Majesty's Government might admit, and advise the sheikh to admit, Turkish suzerainty over Koweit to the full extent compatible with:—

(a.) The complete autonomy of Koweit in respect of its internal administration, to be guaranteed by a firman to the sheikh, and confirmed by a written undertaking to His Majesty's Government, as proposed by Colonel Cox.

* Viscount Morley to Government of India, February 16 (Telegraphic); Government of India to Viscount Morley, February 23 (Telegraphic).

(b.) The maintenance of our agreements with the sheikh.

(c.) The recognition by Turkey of Um Kasr, Bubiyan, and Warba as part of Koweit territory under Turkish suzerainty, and the withdrawal of Turkish guards and symbols of authority therefrom.

A reasonable settlement of all property disputes, the sheikh taking out Turkish papers for his son, should also be included in the negotiations; and it would further be understood that, if the question of tribute is not raised, the sheikh will approach the division of customs duties, &c., in a liberal spirit.

Whether the Turkish Government will be prepared to negotiate on this basis will presumably depend largely upon the value which they attach to considerations mainly of a sentimental order. On the other hand, the concession which His Majesty's Government are prepared to make, in facilitating the use of Koweit as a terminus for the Bagdad Railway, is of a very substantial nature; and in considering what we may reasonably expect to receive in return it must be borne in mind that the position which His Majesty's Government have built up for themselves at Koweit, and fortified by formal agreements with the sheikh, is—together with the similar position which they hold at Mohammerah—the one solid asset that they possess in those regions, and that they have been at pains to acquire it precisely for some such purpose as that to which it is now proposed to put it; while, quite apart from all question of compensation, this same position makes it impossible for them (as Mr. Marling has pointed out in his despatch No. 14 of the 4th January last) to abandon the sheikh to the Turks without such a loss of prestige as would be disastrous to their general policy and interests in the Persian Gulf.

For these reasons Lord Crewe would regard the conditions recapitulated above as essential to a satisfactory settlement. It is clear that in any negotiations that may be opened great care must be taken to avoid making any admissions with regard to the status of Koweit that may be used to our detriment should the whole negotiations prove abortive, or should some place other than Koweit eventually be adopted as the terminus.

In conclusion, I am to express the hope that any opportunity that offers may be taken to dispose of the other outstanding questions referred to in my letter of the 30th December, 1910 (annexed).

I am, &c.

R. RITCHIE.

[8029]

No. 134.

Sir G. Louther to Sir Edward Grey.—(Received March 5.)

(No. 56.)

(Telegraphic.) P.

BAGDAD Railway.

Constantinople, March 5, 1911.

In reply to the enquiry contained in your telegram No. 56 of the 3rd instant, I learn from the Turkish Minister for Foreign Affairs that the German Government is generally cognisant of the conditions proposed; and that the German Ambassador has intimated that his Government could not agree to any foreign group having a larger share in the Bagdad-Persian Gulf section than the Germans. The actual document containing the Turkish proposals has, however, not been shown to his Excellency.

[8104]

No. 135.

Sir G. Louther to Sir Edward Grey.—(Received March 6.)

(No. 134.)

Sir,

Constantinople, February 28, 1911.

WITH reference to my telegram No. 36 of the 12th instant, I have the honour to forward herewith copy of a memorandum by the commercial attaché of this embassy on the subject of the funds available for kilometric guarantees for the extension of the Bagdad Railway. This useful statement shows clearly that Turkey has an ample margin for the Halif-Bagdad section.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 135.

Memorandum by Commercial Attaché to British Embassy at Constantinople.

IN the accompanying statements an attempt has been made to establish as far as is possible the situation of the surpluses yielded by the revenues which have been specially set aside for the payment of kilometric guarantees, and annual charges on account of various loans, with a view of ascertaining the amount of liquid funds which can reasonably be expected to be at the disposal of Government, and which could be made available for the extension of the Bagdad Railway from Halif towards Bagdad.

The statements show the surpluses for five years, viz., 1321 (1905-1906) to 1325 (1909-1910), and the figures having been obtained from official publications and documents they may be considered fairly accurate.

2. Statement "A" shows the surpluses yielded by the tithes revenues assigned for the payment of the kilometric guarantees of the lines of the Anatolian system—Haidar Pasha-Angora and Eskishehr-Konia Railways—after the payment of these guarantees, and also indicates the amounts of the charges which have to be met out of the surpluses, viz., the working expenses of the Konia-Eregli section of the Bagdad Railway, and, secondly, the amounts which had to be taken, to make up the insufficiency of the revenues of the tithes allotted to the payment of the annuity (£ T. 97,120) of the 4 per cent. Bagdad Railway-Konia-Eregli-Bulgarlu loan (1st series).

3. The net surpluses, after deduction of the two above-mentioned charges, of the tithes' revenue belonging to the Anatolian system, are shown in statement "B," along with surpluses derived from tithes, and the revenue set apart for the payment of the kilometric guarantees of railways other than Anatolian and Bagdad, as well as the annuities of various loans, but free of these guarantee and annuity charges—

The average for the five years of the total amounts of these two surpluses works out at	£ T. 698,388
From which sum various permanent charges mentioned in Statement "B" have to be deducted, and amounting to	297,000
Leaving an average liquid surplus of	401,388

Returns for the year 1326, which will end on the 28th (13th) March, 1911, fore-shadow, however, a substantial increase—

The value of the tithes for the Anatolian guarantees of the year were	£ T. 440,000
The guarantees paid were	128,570
Estimated liability for working expenses Konia-Eregli	22,420
Expected surplus	289,010
Whilst the tithes and other revenues earmarked for other railway guarantees and annuities are expected to realise a surplus of	860,990
From which permanent charges must be deducted	1,150,000
Leaving a probable surplus for 1326 of	297,000
	853,000

4. The kilometric guarantees for the Bagdad Railway extension from the present railhead, Eregli-Bulgarlu, over the Taurus to Halif, have been converted into the payment of an annuity of £ T. 420,000 for the Bagdad loans, series 2 and 3, viz., £ T. 200,000 for series 2, and £ T. 220,000 for series 3.

According to the stipulations of the additional convention of the Bagdad Railway of the 2nd June, 1908, the Government share (75 per cent.) in the surpluses derived from the ceded revenues administered by the Public Debt has been assigned to the payment of this annuity, after a permanent charge of £ T. 124,059.30 due for the service of the 1904 loan of 4 per cent., has been met. It is clearly understood, however, that these surpluses will not be available for meeting the annuity for series 2 and 3 until the complete extinction of the three short loans contracted with the Imperial Ottoman Bank (two in 1906 and one in 1907), the advances obtained from the Deutsche Bank in January and March 1908, and a short loan from the Anatolian Railway

Company in March 1908, all of which are a charge on the surpluses of the ceded revenues (Government share).

Provision has also been made, in the case of these surpluses falling short at any time of the required amount of £ T. 420,000, and it is stipulated that any insufficiency in one year is to be made good from the first proceeds of the sheep tax of the following year collected in the provinces of Konia, Adana, and Aleppo, with the proviso that the tax collected in the Aleppo district can only be utilised after the payment of £ T. 40,000 due annually for Russian war indemnity account.

The gross surpluses of the ceded revenues and the amounts of the Government share (75 per cent.) are shown in detail for five years in statement "C." It will be noted that there has been a fair increase, that the amount of the Government share in 1325 (1909-1910) was £ T. 529,448, but that the average for the five years is £ T. 418,605. The Government share for 1326 (1910-1911) is expected to be not less than £ T. 600,000. To the annual surplus after 1326 (1910-1911) will be added the Government share of the interest on the reserve fund of £ T. 2,000,000 of the Public Debt, which will amount to about £ T. 58,500.

As already stated, certain charges have to be paid out of these surpluses, and those which are to be met by the surplus for the year 1326 (1910-1911) are the following:—

1. Temporary charge—	£ T.
The extinction of the remainder of the short loans, namely, the repayment of the remainder of the Anatolian Railway loan of 1908	374,339
2. Permanent charge—	
Annuity for the 4 per cent. loan of 1904	124,059
	498,398
Leaving a probable balance of	101,602
Expected surplus for 1326	600,000

The permanent charges to be paid out of ceded revenue surpluses after the year 1326 (1910-1911) are—

	£ T.
Annuity for the 4 per cent. loan of 1904	124,059
Annuity for the Bagdad Railway, Series 2 and 3	420,000
Total	544,059

The full amount of £ T. 420,000 will, however, not be required until the railway has reached Halif.

Admitting that the probable amounts to be realised from the year 1327 onwards will be equal to the expected surplus of 1326, viz., £ T. 600,000, the Government will then have a balance in hand, after deduction of the permanent charges,

	£ T.
Of some	56,000
Plus the share of interest on reserve fund	58,500
Total	114,500

5. To sum up the situation—

(a.) On the basis of the five years' average of general surpluses, viz., from tithes and other revenues assigned to Anatolian and other railways (except Bagdad) and services of loans, as well as those from ceded revenues set aside for the Bagdad Railway, series 2 and 3, the figures will be as follows:—

Five years' average surplus from tithes (including Anatolian) and other revenues	£ T.
Five years' average surplus from ceded revenues (Government share)	698,388
Part interest on reserve fund of Public Debt	418,605
	58,500
	1,175,493
Permanent charges to be deducted—	£ T.
On ceded revenues	544,059
On tithes and other revenues	297,000
	841,059
Surpluses at the disposal of Government	334,434

(b.) The situation worked out on the basis of the returns for 1325 and those expected for 1326 would be:—

	1325.	1326 (expected).
	£ T.	£ T.
Surplus from tithes and other revenues	834,709	1,150,000
Surplus from ceded revenues	529,488	600,000
Share of interest on reserve fund	58,500	58,500
	1,422,697	1,808,500
Charges to be deducted	841,059	841,059
Surplus at disposal	581,638	967,041

(c.) Should the calculations, however, be strictly confined to the surpluses of revenues earmarked for the Anatolian and Bagdad Railways, the figures, based on the returns for 1325 (1909-1910) and 1326 (1910-1911) (probable), would be respectively as follows:—

	1325.	1326 (expected).
	£ T.	£ T.
Surplus of tithes	131,762	289,010
Surplus from ceded revenues	529,488	600,000
Share of interest on reserve fund	58,500	58,500
	719,750	947,510
Permanent charges—	£ T.	
Annuity for 1904 loan, 4 per cent.	124,059	
Annuity for Series 2 and 3	420,000	
	504,059	504,059
At disposal of Government	215,691	433,451

The amount which may be due on account of working expenses of the Eregli-Halif section, say 3,000 fr. per kilom., viz., £ T. 110,000 for the 840 kilom., has not been taken into account in the above calculations, and this sum will consequently have to be deducted from each of the balances.

6. Estimating that the length of line to be constructed from Halif onwards to Bagdad to be about 600 kilom.,

	£ T.
The sum required to meet the annuity for this section would be	300,000
Working expenses at 3,000 fr. per kilometre	80,000
Total	380,000

The estimated surpluses derived from tithes and revenues set aside for kilometric guarantees and annuities for loans for the year 1325, and those expected for 1326, viz., £ T. 581,638 for 1325, and £ T. 967,041 for 1326, may serve as a basis for calculating the probable surpluses of the future, and it is therefore evident the Government will have an ample margin in hand for providing the annuity necessary for the Halif-Bagdad section without engaging any further revenues.

Should the Government, however, decide that the annuity of £ T. 300,000 and the working expenses of £ T. 80,000 be only paid out of surpluses of revenues specially set aside for the service of the Anatolian and Bagdad Railways, the sums at the disposal of Government derived from those sources would probably, as is shown in the calculation (c) in the previous paragraph, be inadequate, and it is in that case quite conceivable that the Bagdad Railway administration might insist on the guarantee already given of the proceeds of the sheep tax of Konia, Adana, and Aleppo being extended to the Halif-Bagdad section, in order that any insufficiencies of tithe and ceded revenue surpluses for payment of the annuity might be fully covered. The total proceeds of the sheep tax of the three districts is close upon £ T. 300,000, from which £ T. 40,000 has to be deducted for Russian war indemnity account.

Statement "A."

STATEMENT showing details of Surpluses for five years, viz., 1321 (1905-1906) to 1325 (1909-10), yielded by the Tithes set aside for the Payment of Kilometric Guarantees of the Haidar Pasha-Angora and Eskishehr-Konia Lines of the Anatolian Railway.

Year.	1. Gross Surplus after payment of Kilometre Guarantees.	2. Working Expenses of Bagdad Rail- way, Konia-Eregli Section, paid from Surplus.	3. Paid to meet in- sufficiency of Tithes affected for Guarantee Konia- Eregli Section.	4. Total payments shown in Columns 2 and 3.	5. Net Surplus after deduction of amounts in Column 4.
	£ T.	£ T.	£ T.	£ T.	£ T.
1321 ..	192,862	25,266	20,922	46,188	146,674
1322 ..	234,163	27,457	9,833	37,290	196,873
1323 ..	147,885	24,029	3,625	27,654	120,231
1324 ..	114,360	23,295	10,361	33,656	80,704
1325 ..	154,182	22,420	..	22,420	131,762

The tithes set aside in 1326 (1910-11) were of the value of £ T.					440,000
The guarantees paid in 1326 were—					£ T.
Haidar Pasha-Angora					22,389
Eskishehr-Konia					106,181
					128,570
Working expenses of the Bagdad Railway, Konia-Eregli section, to be paid out of this surplus.. .. say					22,420
Total net surplus					289,010

Statement "B."

STATEMENT of Surpluses yielded by Tithes (including Anatolio) and other Revenues set aside for the Payment of Kilometric Guarantees and Service of Loans.

Year.	1. Net Surplus of Tithes allotted to Anatolian Railways, as shown in Column 5 of Statement "A."	2. Net Surplus of Tithes and other Revenues assigned to other Railways and service of Loans.	3. Total of Net Surpluses of Columns 1 and 2.
	£ T.	£ T.	£ T.
1321 ..	146,674	338,481	485,155
1322 ..	196,873	473,757	670,630
1323 ..	120,231	543,485	663,716
1324 ..	80,704	580,266	660,970
1325 ..	131,762	834,709	966,471
		Total ..	3,446,942

Average for five years, £ T. 698,388. Expected surplus for 1326 £ T. 1,150,000.

Permanent charges on these surpluses are the following:—					£ T.
Current account with the Imperial Ottoman Bank (Statutory) ..					108,000
Taken by the Ottoman Public Debt in lieu of the Roumelian Tribute..					114,000
Part of the annuity of the 1908 loan of 4 per cent. ..					40,000
Annual expenditure for irrigation works in Konia plain ..					25,000
Military transport					10,000
Total					297,000

Statement "C."

SURPLUSES from old "Ceded" Revenues belonging to the Public Debt for the Years 1321 to 1325 (1905-1906 to 1909-1910).

	Total Surplus.	Government share of 75 per cent.
	£ T.	£ T.
1321 (1905-6)	500,181.60	375,136.20
1322 (1906-7)	495,834.58	371,875.93
1323 (1907-8)	606,101.82	454,576.39
1324 (1908-9)	482,648.29	361,986.22
1325 (1909-10)	705,930.69	529,448.02
Total	2,790,697.02	2,093,022.76
Average for the five years	558,140	418,605
Expected surplus for 1326 (1910-11) ..	800,000	600,000

The interest on the reserve fund of the Public Debt of £ T. 2,000,000, provided according to article 8 of the annex to the Decree of Moharrem, will, after the year 1326, be added to the general revenues of the Public Debt, and will thus increase the surpluses by about £ T. 78,000 per annum. Of this sum the Government will receive 75 per cent, or £ T. 58,500.

February 19, 1911.

[8109]

No. 136.

Sir G. Lowther to Sir Edward Grey.—(Received March 6.)

(No. 139. Confidential.)

Sir,

Pera, March 1, 1911.

RIFAAT PASHA handed to me to-day the enclosed memorandum, which he had promised me, setting forth on general lines the proposals which the Ottoman Government desire to lay before you with a view to arriving at an understanding regarding the construction of the section of the line from Bagdad to the Persian Gulf.

I told his Excellency that I abstained from making any comment on the proposals, and that I would forward the memorandum to you by the messenger who is leaving to-day.

Subsequently I asked his Excellency whether the issue of the negotiations with the company could be expected at an early date. He replied that the Ottoman Government had every reason to look forward to a prompt settlement. Referring to the advantages to be gained by the company, he said that, strictly speaking, there were no conditions. The fact that the company would be able to complete the line sooner than was anticipated would constitute a sufficient advantage.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 136.

Memorandum communicated to Sir G. Lowther by Rifaat Pasha.

L'INTÉRÊT qui s'attache à l'achèvement du Chemin de Fer de Bagdad-Golfe Persique, la nécessité latente d'assurer l'application de la majoration douanière de 4 pour cent amènent le Gouvernement Impérial à envisager, pratiquement, l'examen de ces deux affaires avec le Gouvernement de Sa Majesté britannique, en tant que lesdites affaires intéressent, sous certains de leurs aspects, le Gouvernement Royal.

Le Gouvernement du Roi a posé une condition à son assentiment à la majoration projetée, savoir, que le supplément de recettes qu'elle produirait, ne fût pas affecté aux garanties kilométriques du Chemin de Fer de Bagdad. Si donc le Gouvernement Impérial ottoman amenait la compagnie dudit chemin de fer à ne pas élever de prétentions sur ce supplément de recettes, la condition exigée serait remplie. Tel est l'un des aspects de la question.

D'autre part, à raison des inconvénients qui empêchent la Compagnie du Chemin de Fer de Bagdad de construire et d'exploiter dans les mêmes conditions que le reste de son réseau, le tronçon Bagdad-Golfe Persique, qui est compris dans sa concession et dont la construction est, d'ailleurs, absolument nécessaire pour assurer à cette voie ferrée son débouché naturel, il s'agirait d'obtenir que la compagnie renoncât au droit qui lui fut concédé de construire et d'exploiter également le tronçon Bagdad-Golfe Persique. Tel est l'autre aspect de la question.

Or, le Gouvernement ottoman a déjà engagé, au sujet de ces deux points, des pourparlers avec la Compagnie de Bagdad; et il a tout lieu d'espérer que cette dernière acquiescera bientôt aux desiderata de la Sublime Porte, et renoncera, en ce qui concerne les garanties kilométriques, non seulement aux recettes appelées à se produire du chef de la majoration de 4 pour cent, mais aussi à toutes autres nouvelles recettes qui viendront s'ajouter aux fonds actuellement consacrés à la Dette publique ottomane. La Sublime Porte est d'autant plus fondée à compter sur cette renonciation, que des calculs de statistique établissent la progression constante des revenus dont la Compagnie de Bagdad dispose actuellement et qui, partant, lui assurent, dans un avenir prochain, des ressources suffisantes pour l'achèvement de la voie jusqu'à Bagdad, sans qu'il faille lui affecter de recettes nouvelles.

Le Gouvernement ottoman avait, naguère, conçu l'idée de construire lui-même la partie finale de la voie ferrée. Il aperçoit des difficultés dans l'exécution d'un tel projet. Aussi estime-t-il utile et expédient de recourir, pour ledit tronçon, à la création d'une nouvelle société anonyme ottomane dont le capital serait fourni tant par le Gouvernement Impérial ottoman lui-même que par des groupes de capitalistes anglais, français et allemands. Ce capital est à répartir de la façon suivante: 40 pour cent pour le Gouvernement Impérial, 20 pour cent à chacun des groupes de capitalistes étrangers.

Les frais de construction pourront, d'après le système actuel de la ligne Konia-Bagdad, être couverts par une émission d'obligations d'Etat ottomanes garanties par le Gouvernement Impérial et émises à Londres, Paris, Berlin et Constantinople. Les frais de construction, ainsi que le capital actions de la société nouvelle et toute autre modalité de formation de la société et de l'émission, seront naturellement réglées après entente entre le Gouvernement Impérial et les groupes intéressés.

En tant que point terminus de la voie ferrée, sur le Golfe Persique, on ne saurait naturellement envisager que Koweït d'abord, Bassora ensuite. Le Gouvernement ottoman pense que Koweït est, par sa situation, tout indiqué pour servir de débouché au chemin de fer. Comme cependant la situation politique de Koweït présente certaines particularités, et que, d'autre part, il importe logiquement, que le point terminus du Chemin de Fer de Bagdad soit sous l'administration directe du Gouvernement ottoman, il serait désirable de régulariser, en premier lieu, les rapports de Koweït vis-à-vis de l'Empire, ce qui pourra rendre possible l'exploitation du port à créer dans cette localité par la société anonyme nouvelle.

Par la même occasion, apparaît l'utilité essentielle d'une entente entre le Gouvernement ottoman et le Gouvernement de Sa Majesté britannique, à l'effet de préciser la situation du Golfe Persique, respectivement par rapport aux droits politiques et aux intérêts commerciaux des deux pays, en établissant, sans équivoque, la position de chacun d'eux.

S'il est exacte que les intérêts de la Grande-Bretagne s'opposent à la pénétration de tierces influences étrangères dans le Golfe Persique, il est non moins certain que, sur ce point, les intérêts essentiels du Gouvernement ottoman se rencontrent avec ceux du Royaume-Uni, l'Empire ottoman n'étant, lui-même, nullement disposé à encourager les Puissances, encore moins à les autoriser à établir une base d'influence dans ces contrées. De sorte qu'une parité d'intérêts entre le Gouvernement ottoman et le Gouvernement britannique, jointe à leur égal désir d'arriver à une entente sur tous les points qui ont pu jusqu'ici diviser leurs vues, semble les convier aujourd'hui à aborder, dans un même esprit d'amitié et de conciliation, le règlement définitif des questions ci-dessus énumérées.

[8185]

No. 137.

Sir V. Corbett to Sir Edward Grey.—(Received March 6.)

(No. 17.)

Sir,

Munich, March 2, 1911.

THE question of the Bagdad Railway continues in no slight degree to occupy public attention here. Statements made on the subject in Parliament and the articles that appear in the British press are closely followed by the German newspapers, which lose no opportunity of insisting that the question is one that primarily concerns Turkey and Germany and only very indirectly Great Britain.

The "Frankfurter Zeitung" of to-day's date treats the matter at some length and with more than the usual frankness. After contrasting the attitude of the British and German press very much to the advantage of the latter, the writer of the article goes on to observe that, in spite of all that has been written about it in England, British journalists have not yet succeeded in acquiring that clearness of thought on the subject which is so desirable. "England's dominion in India," says the writer, "her supremacy in the waters of the Persian Gulf, and her alleged protectorate over the Turkish town of Koweït are made the ground for claims which have direct reference to indisputably Turkish territory; and—most important point of all—the English Government is to be forced to claim for England the control over the so-called last section of the railway, that is to say, over a distance of some 600 kilom. from Bagdad southwards to the Persian Gulf. The granting of this claim is to be the *sine qua non* for reasonable and friendly relations with Turkey and Germany. Some particularly truculent journalists even talk about an assurance in this sense or a danger to the peace of the world.

"The question of the railway might be treated with far better hope of a satisfactory solution for England if our neighbours on the other side of the channel could get rid of a habit which is clearly deeply ingrained in their nature of confusing claims and rights. It seems to be an indisputable fact that England does claim an alleged protectorate over Koweït, and similarly the so-called control over the final section of the railway. This, however, is not the question: the point simply is, what rights England has over the terminus and final section of the future line. The wiser part of the English press advances no basis at all for such a right, and no one can take in earnest the grounds alleged by less prudent journals. No one will wish to prevent England from assuring her dominion in India, but to make the securing of the mastery in India an excuse for establishing English rights over ports and railways in South Mesopotamia is as absurd as it would be to claim a suzerainty over Southern Italy. Koweït is just about as far from the nearest point on the Indian frontier as Portsmouth is from Naples. In the question of the alleged English protectorate over Koweït the Turks are notoriously of a different opinion from the English, and we have no reason to believe that their conception is the less well grounded of the two. But whether the solution of the question ultimately gives England a partial or a complete protectorate over Koweït, her claims concerning the southern section of the line are not in the least advanced thereby. To argue from a protectorate over Koweït to a control of the railways in South Mesopotamia is like claiming control over the whole Spanish railway system on the strength of the possession of Gibraltar. It is certain, however, that opinion in England on this point is now following a more reasonable line, and this is satisfactory. The 'Statist' has recently shown with the utmost clearness that Turkey is absolute mistress on her own territory, with power to build such railways as she pleases and to treat with those companies which she has chosen for this purpose. The English newspapers could calm themselves more easily with the thought that Turkey has officially expressed her wish to come to an amicable understanding with the English Government on the question of Koweït and the other subjects connected with it. The English hotspurs will at least have to moderate their impatience a little.

"The only parties concerned in the Bagdad Railway at present are the Turkish Government and the Bagdad Railway Company, which is under German management. In this reference we have already repeatedly pointed out—lastly on the 16th February—that any negotiations of either party with a third must proceed on the basis of a mutual agreement to take this action. Without this the Turkish and English Governments and the German and English financiers are neither able nor willing to begin positive negotiations. Those impatient individuals who see the Germans already at the doors of Koweït and desire to drive the Foreign Office to take vigorous measures in order to prevent so terrible an eventuality would do well to satisfy themselves that Turkey and the interested parties in Germany have the next say in the matter. That it is so these

same inspirers of public opinion in England have themselves to thank, seeing that it was they who at the crucial moment succeeded in preventing England's co-operation in the undertaking. We have sufficient trust in the sound business sense of the Englishmen to believe that it will eventually win the victory over the extravagant political chauvinism which has hitherto impaired British action in this matter. With such Englishmen it is possible to discuss business, though not politics. If Englishmen would only treat the Bagdad Railway problem from the point of view of their own practical interests they would doubtless find that the Turks and Germans would meet them in a reasonable spirit."

I have, &c.

VINCENT CORBETT.

[8296]

No. 138.

Sir G. Barclay to Sir Edward Grey.—(Received March 6.)

(No. 75.)

(Telegraphic.) P.

Tehran, March 6, 1911.

RAILWAYS. Reference to my telegrams Nos. 68 and 71, dated the 27th February and the 2nd March respectively.

I venture to submit that before His Majesty's Government broach the subject of railways in Southern Persia to Persian Government, it might be worth our while to suggest to some British house that they should apply for the concession which is most important to us.

Vakil ul Roya, whom the bank manager has sounded several times on the subject of a railway concession, appeared to favour the idea.

Imperial Bank of Persia might possibly be induced to apply for the concession we desire, and transfer it to third parties if obtained.

Bank manager's suggestion that he should try to obtain a concession has already been approved by head office, but the only proposal that has been mooted was a railway right up to Tehran via Hamadan from the Karun valley. In the light of recent communications from St. Petersburg, which have made it clear that Russia needs our financial co-operation for the line Khanikin-Tehran via Hamadan, such a scheme might be worthy of consideration.

[8442]

No. 139.

The Earl of Crewe to Government of India.—(Received at the Foreign Office, March 7.)

(Telegraphic.) P.

India Office, March 3, 1911.

RAILWAYS in Persia. See your telegram dated the 23rd February.

Your letter is awaited. Meanwhile, however, I should be glad to know whether you have considered situation that will arise in the event of Bagdad Railway being extended to Khanikin and Trans-Persian line not being built. Line from Mohammerah to Khoremmabad is proposed, as only means of saving and extending our trade in Western Persia, precisely in order to compete with extension of Bagdad Railway.

The following is secret:—

Opinion is expressed by Foreign Office that probability of our obtaining a controlling share in the Gulf section of the Bagdad line is very small, but participation on our part may nevertheless be worth while.

[8441]

No. 140.

The Earl of Crewe to Government of India.—(Received at the Foreign Office March 7.)

(Telegraphic.) P.

India Office, March 3, 1911.

BAGDAD Railway. See my telegram dated the 16th February, 1911.

Turkish Government's proposals are summarised below. Any observations you may wish to offer will doubtless be communicated by telegraph:—

"Formation of a new joint stock company is proposed by the Porte, the capital of which would be provided in the following proportions:—

"Forty per cent. by Ottoman Government, 20 per cent. each by German, British,

and French capitalists. State bonds to be issued in Berlin, London, Constantinople, and Paris, to provide for the cost of construction. As terminus must be under the direct administration of the Ottoman Government, and as the political status of Koweit, which is mentioned as the most suitable terminus, presents certain particularities, it is necessary to regularise Koweit's relations to the Turkish Empire. Utility of arriving at an understanding as to the two Powers' respective rights in the Persian Gulf is also brought to notice."

[8468]

No. 141.

Sir F. Cartwright to Sir Edward Grey.—(Received March 7.)

(No. 17.)

(Telegraphic.) P.

Vienna, March 7, 1911.

GERMANY and Russia.

In conversation with me to-day Count d'Aehrenthal said he gathered, from the information he had received on this subject, that Russia and Germany had arrived at an understanding as regards the main points of their negotiations, and that the final agreement was now about to be drafted; but there were still the details to discuss. He understood that, owing to the technical difficulties of the different questions at issue, the negotiations had been somewhat delayed.

[8628]

No. 142.

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 8.)

(Telegraphic.) P.

March 7, 1911.

PLEASE refer to your telegram, dated the 3rd March, as to effect of extension to Khanikin of Bagdad Railway.

We consider that line from Mohammerah to Khoremmabad becomes of primary importance in the event of proposed trans-Persian line falling through. Our view as to utility of former line was expressed on the understanding that trans-Persian line would be constructed.

[8629]

No. 143.

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 8.)

(Telegraphic.) P.

March 7, 1911.

RAILWAY from Bagdad to Persian Gulf. Please refer to your telegram dated the 3rd instant.

It is hardly possible to take seriously the Turkish Government's proposals, which would have the absurd result of placing England in the same position as that of Germany and France in Mesopotamia and the Gulf; proposals also imply that, for sake of a 20 per cent. participation in section to Gulf, we should desert sheikh and surrender absolutely our position at Koweit. Turks would at once begin to encroach on rights of tribal chiefs and Sheikh of Mohammerah, whose confidence we should lose by pursuing such a policy.

We should inform Turkish Government that it is our intention that our position at Koweit and in Gulf shall be maintained, and that there can be no question of ceding the customs increase of 4 per cent., and that the additional 3 per cent. will be withdrawn in 1914 unless satisfactory conditions are made for our participation in the section to the Gulf.

[7646]

No. 144.

Sir Edward Grey to Lord Grimthorpe.

My dear Grimthorpe,

Foreign Office, March 8, 1911.

I HAVE now had time to consider your letter of the 26th February, in which you ask my official opinion from the point of view of British interests in regard to a scheme for the construction of a railway from Julfa to Tabreez.

I have no objection to your entering into communication, as you propose, with the Russian Government with regard to the scheme, but I can give no definite opinion about it till I know the details and the views of the Russian Government as conveyed to you.

Yours very truly,
E. GREY.

[7646]

No. 145.

Sir Edward Grey to Sir G. Buchanan.

(No. 71. Confidential.)

Sir,

Foreign Office, March 8, 1911.

I TRANSMIT to your Excellency herewith copies of correspondence with Lord Grimthorpe relative to a scheme for the construction of a railway from Julfa to Tabreez,* and I have to request you to report to me any information which you may be able to obtain respecting this project.

I am, &c.
E. GREY.

[8659]

No. 146.

Sir E. Goschen to Sir Edward Grey.—(Received March 9.)

(No. 55.)

Sir,

Berlin, March 7, 1911.

I HAVE the honour to transmit to you herewith translations of two articles discussing the present phase of the Bagdad Railway question, which appeared in the "Norddeutsche Allgemeine Zeitung" of the 5th instant.

The first article is obviously inspired, and the second is reproduced from the "Frankfurter Zeitung"† by the semi-official organ, and therefore may also be assumed to reflect the views of the Imperial Foreign Office.

I have, &c.
W. E. GOSCHEN.

Enclosure in No. 146.

Extract from the "Norddeutsche Allgemeine Zeitung," March 5, 1911.

(Translation.)

FOREIGN papers continue to discuss negotiations which are supposed to be going on between Turkey and England about the Bagdad Railway. These discussions are in many cases founded on incorrect promises in that they do not take into sufficient account the legal basis on which the Bagdad question must be carried on. As, as is well known, the Bagdad question, as far as the construction of the line to Bagdad is concerned, has been finally settled between Turkey and the Bagdad Railway Company, the above-mentioned discussions can only refer to the section from Bagdad to the Persian Gulf. This section too will, in common with the whole railway, run exclusively over Turkish territory. It is also included in the concession granted to the German company which imposes obligations on the latter *vis-à-vis* Turkey as well as on Turkey *vis-à-vis* the German company. There is, consequently, no reason, nor is there even a possibility either for Turkey or for the German company to carry on one-sided negotiations with third parties respecting the construction of the railway. If a third party, especially England, has any wishes respecting the railway, it is their business to formulate them and to communicate them to the two parties bound by contract. These wishes would then be sure of being examined in a friendly spirit.

In another part of this paper we publish a long article of the "Frankfurter Zeitung" dealing with the same subject.

* Nos. 130 and 144.

† Already printed. See No. 137.

[8109]

No. 147.

Sir Edward Grey to Sir G. Lowther.

(No. 61. Secret.)

(Telegraphic.) P.

Foreign Office, March 9, 1911.

WE shall carefully consider the proposals of the Ottoman Government (see your despatch No. 139 of the 1st March), and in due course send in our reply. But your Excellency should at once address an official note to Rifaat Pasha pointing out that paragraph 2 of memorandum is in direct conflict with my telegram No. 61 of April 1910, and with my despatches Nos. 155, 215, and 222 of the same year, and gives an altogether misleading statement of our attitude respecting the conditions of our assent to the 4 per cent. customs increase.

Your Excellency should make it quite clear in writing that His Majesty's Government could only agree to the desired increase of customs for a fixed period if the railway question in Mesopotamia were settled in such a way that British interests suffered no detriment by the disturbance of the *status quo* in those regions, and if the existing restrictions on the borrowing powers of Egypt were removed.

[8628]

No. 148.

Sir Edward Grey to Sir G. Buchanan.

(No. 84. Secret.)

(Telegraphic.) P.

Foreign Office, March 9, 1911.

HIS MAJESTY'S Government will probably have to approach Persian Government for a concession for Mohammerah-Khorembad line, opinion being agreed that it would be of vital importance for the protection of British trade in western Persia. I should be glad to receive your Excellency's advice as to the best means of overcoming M. Sazonow's reluctance, as we are anxious to proceed in the matter with the concurrence of the Russian Government.

[8929]

No. 149.

Sir G. Buchanan to Sir Edward Grey.—(Received March 10.)

(No. 54.)

(Telegraphic.) P.

St. Petersburg, March 10, 1911.

PERSIAN railways. Mohammerah-Khorembad scheme. Your telegram No. 84, Secret, of the 9th March.

I can only suggest that, when M. Sazonow is sufficiently recovered from the illness from which he is suffering at present, I should discuss the matter with him. It is quite possible, however, that he may not be well enough for a considerable time, and among the other officials at the Ministry of Foreign Affairs there is no one at present with whom I can discuss matters to any purpose.

I think we should point out that the branch line which is to be constructed from the Bagdad Railway into Northern Persia will give German goods easy access to the regions which would be tapped by the line now contemplated, and that, in order to maintain our existing economic interests in these regions, we require this line. The branch from the Bagdad line into Northern Persia will render foreign competition inevitable, and the Russian Government ought to realise that, even though the Mohammerah-Khorembad line may be somewhat prejudicial to Russian trade, yet it is essential for us to place ourselves on equal terms with Germany.

It might, perhaps, be possible to interest Russia in the undertaking by inviting her to build the northern section running south from Julfa, and by offering her financial assistance to do this, and so rendering it easier for her, but in this case a difficulty would probably arise on the question of rates. (Please see the *aide-mémoire* of August 15, 1908, communicated by the Russian Government.)

It might also be pointed out to the Russian Government that their consent to the construction of a line from Mohammerah to Khorembad would go far to counter-balance any objections which might be raised by the Government of India to the scheme for linking up the Indian and Russian systems by a railway across Persia.

[1773]

2 F

[8930]

No. 150.

Sir G. Lowther to Sir Edric Grey.—(Received March 10.)

(No. 58.)

(Telegraphic.) P.

BAGDAD Railway.

Constantinople, March 10, 1911.

In reply to your telegram of yesterday (No. 61) respecting the communication to be made to the Porte on this subject, I would suggest that the purpose of His Majesty's Government would be just as well served if this communication were made in the form of a "notice," i.e., the form taken by the communication with which the Porte have opened negotiations. I am afraid that an official signed note to Rifaat Pasha might be so misconstrued that subsequent negotiations might be prejudicially affected. It must be borne in mind that the official point of view of the Ottoman Government is that the Bagdad line is an Ottoman railway within the territory of the Ottoman Empire.

[9042]

No. 151.

Extract from "Parliamentary Debates" of March 8.—(Received at Foreign Office, March 11, 1911.)

Mr. Balfour.—I do not think that the House has had full opportunities in the last year or so of obtaining any general statement on foreign policy from the Secretary of State for Foreign Affairs. I do not suppose it would be practicable, even if it were desirable, to ask the right honourable gentleman (Sir Edward Grey) to survey the whole of that great and varied field, when we are in the position of beginning our debate on the Vote on Account, only when the most important hours of the afternoon have already been expended on a very different subject. But there are two points upon which I should like to say a few words and ask a few questions, and which are in one respect connected. Such criticisms as I shall offer upon the Government are based upon what I consider to be the manner in which they are inclined to ignore the close relation which exists between policy, diplomacy, and Imperial interests. The first of those subjects relates to the Bagdad Railway. Two or three of my honourable friends have a far intimate acquaintance with the country, knowing it by personal experience as well as by study, and can give the House information which is beyond my power. But there are broad lines of policy upon which I can, perhaps, initiate the debate. The Bagdad Railway had been a sort of preoccupation of Governments and Ministers before the right honourable gentleman held his present place, and when we on these benches were in office, and I do not suppose that the right honourable gentleman has had an easier time than we had. But I confess that at the present moment we cannot help looking forward with considerable anxiety to the developments which are in process of occurring in connection with European diplomacy and railway enterprise in Asia Minor and in Mesopotamia. I myself was anxious at one time to see if some arrangement could not be arrived at by which equal rights could be given to the great commercial nations of the world for an equal share of the sacrifices made by them. If that had been practicable, I think it would have been a good solution. It was not practicable. Whose fault that was it is not worth enquiring at this stage. At a time which counts in our parliamentary history as ancient, as far back to the year 1904—perhaps even earlier—even at that stage, Germany and Turkey were, I understand, preparing to carry out, as they liked, the stages of that railway construction which are now in process of development. We are coming in sight—are we not—of further developments which do touch very nearly the immediate interests of this country; the commercial, political, and strategic interests, in the way those interests not touched, while the railway is merely going through Asia Minor, or penetrating the defiles of the Caucasus. I want to ask the Government what course they intend to take, especially with regard to the two possible—the two contemplated—developments of the railway branch line which is to join Bagdad and Khanikin, and the continuation of the line from Bagdad southward? The first of these is more commercial than strategical. It has more to do with the interests of traders in this country, perhaps, than the immediate balance of power either in the region which it traverses or in other connected regions. From that point of view surely its importance is as great and the menace to our trade is as serious that those interested in the trade cannot afford to ignore it. We used to

have—we have still, I believe, but I have not investigated the figures recently—an overwhelming proportion of the trade which goes up the river, and then crosses by road to the frontier of Persia. That trade, I believe, is ten times as great as that of any other nation, if it is not ten times as great as all the other nations put together. What safeguard is that trade going to have when that branch or junction is made between Bagdad on the west and the frontier of Persia on the east? I remember that the right honourable gentleman, in the early days of his office, was responsible for the Anglo-Russian agreement. The late Lord Percy criticised that agreement from the point of view of its effect on British commerce. He expressed his opinion that, in the partition of zones of interest in Persia, it would be found that the results were very inimical to the development of British commerce, would be inimical even to the commerce that we already possessed—let alone its development! I am afraid that Lord Percy's prophecies have proved only too true. I say nothing against the right honourable gentleman as to the general aspect of that agreement. I welcome now, as I have always welcomed, anything which can bring us into closer and more friendly relations with the Russian Empire. But the particular point of that agreement which has to be borne in mind by the committee at the present time is this: That while the Germans appear to have got concessions to construct that line from Bagdad to the Persian frontier, the Russians have got the concession of the line within the frontier of Persia. I do not think the Russians are actually making a line, but it lies with them to make that line, because they have within their sphere of influence the great railway terminus which must be in the hands of the Power which makes the railway; at all events, it gives a great advantage to the Power that protects the railway. The result of these forces taken together is that along the route where we have ten times the commerce of the other nations of the world, and in substitution for the existing route for which we are responsible, and which our enterprise has largely created, you are going to have a line which is partly German and partly Russian. That is a matter which can—and probably does—cause considerable anxiety to the mind of the right honourable gentleman, and I want to know, if I am right in my diagnosis of the disease and the forecast of the danger, what remedy he and his colleagues propose for that state of things? I understand that, in answer to a question put by my honourable friend the Member for Staffordshire yesterday, the right honourable gentleman practically assured him that equality of treatment to British and other goods was secured by an article in the convention which he read to the House, and which, I may add, I think he read to the House in a somewhat truncated shape without introducing some very relevant qualifications which occurred in the article, and which I think it would have been well if he had dealt with. But I leave it to my honourable friend to develop that point. The point I want to develop is a different one. It is this: I do not believe that these equalities of rating are necessarily of more value than the most-favoured-nation clause. Both of them have the same weakness, namely, that you can grade goods and divide commodities up in such a way that rates which appear equal and are equal on the face of them nevertheless press with quite an unequal severity upon the manufacturing interests of one of two countries. Alternative clauses on goods provide that one shall go at one rate and another at another. Then you may announce to the world that anybody who produces goods of quality (A) goes at such a rate, and anybody who produces goods of quality (B)—no matter what his nationality—goes at another rate, and that therefore everyone is on the same level. As a matter of fact, the one country which produces article (A) and the other that produces article (B) may find that the trade rates, formally equal, press with quite an unequal severity upon one or other of the manufacturing countries. That, I believe, has actually happened in railway rates under the control of nations who do not share the view of the Government that politics and commerce should be kept in water-tight compartments, and not allowed to mix the one with the other! There are nations who take a different view of what can be done by an active policy; in consequence their manufacturers, in certain cases, are better served than their commercial or manufacturing rivals. That is the chief question which I wish to put to the right honourable gentleman. With regard to the commercial aspect of the Bagdad Railway, especially that part of it which is to join the Persian frontier at Bagdad. The continuation of the railway to the Persian Gulf is also a commercial subject. We cannot in this House mention the commercial development without remembering that, quite apart from Britain's preponderance of commercial interests in that part of the world, we have strategic interests, and interests which cannot be forgotten or ignored, connected with our prestige in India and Afghanistan, and all those adjacent countries. I am sure the right honourable gentleman does not wish to forget or ignore them. Equally

undoubtedly they are threatened—if we may judge the ordinary signs of the times—by certain projects of railway construction to a large extent far into regions which we have always regarded as under our protection and into territories which are not part of the Turkish Empire. I am sure the Government are prepared to give us every assurance with regard to Koweit and as to the policy of the Government. The right honourable gentleman has made declarations in this House in previous years which, so far as I am concerned, seemed to me at the time to be perfectly satisfactory, and from which I do not believe he will recede. Nevertheless, I think he will regard our anxiety on this side of the House as not without its justification. He will feel that our interests, not merely our commercial interests, but our political, imperial, diplomatic, and national interests are being threatened by some schemers, and require the special and arduous care of the Foreign Office if they are to remain wholly unimpaired. These are the two main questions I wish to ask. How do the Government propose to deal with the extensions either towards Persia from Bagdad, towards Persia on the one side, and towards the Gulf on the other?

The Secretary of State for Foreign Affairs (Sir Edward Grey).—The right honourable gentleman, at the beginning of his speech, remarked, very naturally, that the hour was somewhat late, and that he would not ask from me a general statement upon foreign policy. That is to say, as I understood him to mean, that at this late hour the subject of foreign policy by itself was so large that I could not be expected to travel over the whole field. He also intimated that there were other honourable members on his side of the House who desired to speak. Well, Sir, I feel it so strongly that I shall compress my remarks as shortly as I can in order that there may be as much time as possible for others who follow me. I thought it a little remarkable after the right honourable gentleman began by saying that the hour was somewhat late that he should, for the last five minutes, have induced me to forget that it was the Foreign Office Vote at all under consideration. I, therefore, propose to bring the committee back to the points on which the right honourable gentleman specially asked for information. I will confine myself, as far as possible, to answering him on the particular points which he raised. He dealt first of all with the Bagdad Railway. I have no complaint to make whatever of his introducing that subject into the debate, nor have I any complaint to make of the tone or substance of the remarks which he made about it, but I would observe generally with regard to what he said about the Bagdad Railway, that it is always possible and easy to fix on certain parts of the world which are not under our control, which are not likely to be under our control, and in which events may not be altogether moving according to our minds. That is always the case in some parts of the world, and that always offers a field for comment and observation. I have no complaint to make of the right honourable gentleman's comment with regard to the importance of our trade interests in that part of the world, but where, I think, his speech stopped short was at the point where he might have shown what lever we had, what position we occupy, what powers we have by which we should be enabled to control the course of events in that part of the world. He has admitted himself that the Bagdad Railway question was one with which he had been familiar when he was in office. He said that an opportunity arose at that time of taking part in the Bagdad Railway or coming to some terms about it, an opportunity which he regretted to say had not resulted in its being found practicable to secure equal rights with regard to that railway. That happened while he was in office. When that opportunity had passed, surely it was not easy for us to create the opportunity again or to take advantage of it. I should like the right honourable gentleman to be quite clear about this. I am not reflecting upon anything that he did while he was in office. I do not say it was an opportunity of which more could be made than his Government made of it. I only want to emphasise this fact, the Bagdad Railway concession having come into existence, I think while they were in office, they did not find it practicable—though they were quite as conscious of British interests as they are now—to arrange British participation in the enterprise. So it was not likely, when the Bagdad Railway had made some further progress, that we should find it easier than they did, and in all the comment of the right honourable gentleman there was nothing to show that we had ever been in a more favourable position than his own Government was for arranging terms with regard to British interests in the Bagdad Railway. On the contrary, if there is any difference, it is that the undertaking being more solidly established when we came into office, it was less likely that we should be able to get as favourable terms as might have been obtained in earlier days.

The time to oppose the Bagdad Railway, if it was to be opposed in British interests, was before the concession was granted. The concession once granted was a German

concession in Turkish territory, and that concession remains to-day as we found it when we first came into office. The concession has not been extended, and it is within the rights of the German concessionaires and of the Turkish Government to carry out the terms of that concession as they please in Turkish territory. Now, the right honourable gentleman says, "Yes, but there is a branch going to be made from Bagdad to Khanikin, and that will affect an important artery of British trade." The concession for that branch was contained in the original concession of the Bagdad Railway, and that remains as it was. Then said the right honourable gentleman, "Yes, but now when you go beyond Turkish territory there is going to be a branch made from Khanikin to Tehran, and that is not going to be under British control." Well, whether there had been the Anglo-Russian agreement or not, anyone who looks at the map and sees that the branch from Khanikin to Tehran is going to proceed not south but north into Persian territory, will know that under no conditions in recent years would it have been possible for us to have secured a concession for railways in the north of Persia.

If we are to have a concession for railways it must be in the south of Persia, and that must always be so. The north of Persia is out of our reach. If we had had a concession for railways there we could not have protected it—we could not have secured the concession, and we could not have protected it if we had secured it. For years passed, before the Anglo-Russian agreement was made, it has been known to everybody that, if we were to protect British commercial interests, they must be protected in the south and not in the north of Persia. That remains unaffected by anything we have done since we came into office.

The right honourable gentleman says it is important British trade should be protected. As far as it can be protected by guaranteeing equal rights for trade on these railways it will be protected, but more than that we cannot do with regard to these railways. The right honourable gentleman said that those guarantees of equal right might be so worked as to be in practice unfavourable to British trade. Your only guarantee against that is to make other routes of your own for British trade. You cannot possibly take away the concession which the Germans have got from the Turks, and which is in Turkish territory. You cannot stop them making the railway. You could never under any circumstances have got a concession or carried out a concession for a railway in the north of Persia itself. If the guarantees you can get, and which I think we have got, and which, indeed, we are entitled to demand—that there should not be preferential rates and so forth—are not sufficient, you have no option except to get other concessions which will be under your own control. The right honourable gentleman did not go so far as to suggest that. He commented upon the weakness of our position with regard to these particular railways. He made no suggestion whatever to show what we could do. He suggested no lever that we could use and no means whatever by which we could bring pressure to bear to secure British trade interests with regard to these railways, railways in the north of Persia and in Turkish territory, for which a concession has already been granted. That is not very helpful.

We are not quite so helpless in the matter as might be gathered from the speech the right honourable gentleman has made. These railways in Turkish territory are going to cost money. The Turkish Government two years ago received consent for a limited period for a 3 per cent. increase of the customs duty. The Turkish Government have since applied for a 4 per cent. increase of the customs duty. That cannot be levied without our consent. I wish to see the new régime in Turkey strengthened. I wish to see them supplied with resources which will enable them to establish strong and just government in all parts of the Turkish Empire. I am aware money is needed for those purposes, and I would willingly ask British trade to make a sacrifice, so far as it is a sacrifice to British trade, for those purposes, but, if the money is to be used to promote railways which may be a source of doubtful advantage to British trade, and still more if the money is to be used to make railways which will take the place of means of communication which have been in the hands so far of British concessionaires, then, I say, it will be impossible for us to agree to that 4 per cent. increase of the customs duty until we are satisfied that British trade interests will be satisfactorily guarded. I would like the House to be quite clear on this point. The Bagdad Railway is a German concession in Turkish territory, and as such we have no right or title to object to the German concessionaires and the Turks carrying it out in accordance with the concession in Turkish territory; but, when we are asked to give our consent to provide further sources of revenue to the Turkish Government, then we do come in, and come in naturally, because they are asking us to agree to certain increased burdens, and we have a right to demand that before we agree to those increased burdens the Turkish Government should make it clear that the revenue is going

to be applied to the purposes to which we wish to see it applied, namely, the good government and strengthening of the Turkish Empire, and is not going to be used to construct railways which for strategical or other reasons the Turkish Government may be very anxious to have, but which may incidentally prejudice the interests of British trade. That is our position with regard to the Bagdad Railway.

The right honourable gentleman asked a further question as to Koweit and the Turkish Government. That is quite a different question to the mere question of the Bagdad Railway. I have been careful to emphasise that the Bagdad Railway is a German concession in Turkish territory, but, if the Bagdad Railway is to proceed further than Turkish territory, then of course our diplomatic position in the matter becomes very different from what it is so long as it remains purely in Turkish territory. We are not anxious to disturb the *status quo* in the Persian Gulf. To a great extent that *status quo* has been built up by us in previous generations. We have practically opened the Persian Gulf to trade and kept it open. That has been a matter of historical knowledge for years past. We are not anxious to have a forward policy in the Persian Gulf to acquire new territory, or to disturb the *status quo*, but if the *status quo* is going to be disturbed by others then we must undoubtedly use our resources to maintain the position we have in the Persian Gulf. Part of the *status quo* is that we have entered into treaty obligations with the Sheikh of Koweit, and in any negotiations which there may be or in any changes which may take place it is an obligation upon us to see our treaty obligations towards the Sheikh of Koweit in maintaining his position are fulfilled. That is what I would say on the two points the right honourable gentleman has raised, and I hope, at any rate, that what I have said has made clear, not only what the limits of our position are, not only what the limits of our action must be, but also the limits within which we think we can do something to maintain British trade interests, and to maintain what hitherto has been regarded as the *status quo* in the Persian Gulf.

Colonel Yate moved to reduce the vote by 100*l*.

The committee will permit me, perhaps, to say a few words regarding the Bagdad Railway and certain of our interests in Persia. I do not intend on any account to ask for information the giving of which would be incompatible with the public interests. But we all know that certain negotiations are going on, and we have had no information about those negotiations, as to which there need be no undue secrecy. If Russia, Germany, and Turkey know that the British public is alive to the interests involved, I think it will certainly make them more careful in respect of their negotiations with the British Government. We saw in the papers a day or two ago that there were certain British negotiations going on with Turkey with regard to the last section of the Bagdad Railway line from Bagdad down to the Gulf, and if I might say a word about that I should like to say that that section is of comparatively small interest to us. We are comparatively independent of that section at the present time, and already have concessions with regard to steamers by which we can send our British and Indian goods, and it is about Indian goods that I, as an old Indian officer, am most largely concerned. We can send our goods by another route in that case, but the section we are absolutely dependent upon is that section of the Bagdad Railway running north to a place called Sadijeh, some 20 or 30 miles further up north of Bagdad, and thence by the branch line to Khanikin. All traffic which is too heavy or too bulky for mule or camel transport must go by sea to Bussorah and thence by rivers and steamers to Bagdad, and along the roads to Khanikin on the Persian frontier before it can be got into Persia. But when the Bagdad Railway is built these goods will all have to go by this railway from Bagdad to Khanikin. It is on this section of the railway that all that traffic, now worth 1,000,000 or more a-year, must travel in the future. So far as British and Indian trade are concerned, therefore, it is necessary that there should be some stipulations. In answer to my question yesterday the right honourable gentleman said:—

"I would refer the honourable member to article 24 of the 'Cahier des Charges' attached to the Bagdad Railway convention of March 1903, which stipulates that all tariffs, whether general, special, proportional, or differential shall be applied to all passengers and consignors of goods without distinction. The article further provides that all such tariffs must receive the approval of the Ottoman Government, who are bound to prohibit all adverse treatment of British subjects in matters of commerce. His Majesty's Government will, of course, take steps, if they are required, to claim that the stipulation for fair treatment should be observed."—(Official report, the 7th March, 1911, columns 1007-8.)

The right honourable gentleman was asked if the article in question prevents the imposition of preferential rates, but he was not able to give a definite reply to that. Therefore, with regard to British interests in the Bagdad Railway, I think it will be acknowledged that it is not only in the section from Bagdad town down to the Gulf that our interests lie, but in the province of Bagdad to the north of the town of Bagdad, which includes the branch line to Khanikin.

There is another point which we must always bear in mind, and that is, that our interests in the Bagdad province are of far longer standing and far superior to those of any other country. Our political resident is of longer standing and has a far superior position to the consuls-general of the other Powers. Our interest, and especially our Indian interests, comprise not only the ancient trade between India and Mesopotamia, but there is also all the pilgrim traffic between India and the holy places at Kerbela and Nejef to be considered, as well as the trade with Persia through Bagdad. Negotiations are going on between Germany and Russia regarding the junction of the Persian line with the Russian line at Khanikin. We have not only to see that our trade is protected on the German portion of the line, but also on the Russian portion. In our arrangement with regard to Persia of August 1907, at that memorable conference then held, the two Governments of Great Britain and Russia recorded their desire for the permanent establishment of equal advantages for the trade and industry of all nations, but we have no information as to that, and I desire to know whether that recorded desire will really safeguard our trade with Persia. The line is said to be, and is, called an international line, but it has already met with considerable opposition in Russia itself from the merchants of Moscow and others who think their trade will be undermined, but so far as one can judge it really looks as if this line was calculated to give access to Russian goods to the markets of Southern Persia than to give access to British and Indian goods to Eastern and Northern Persia.

First of all, I understand British goods are not to be allowed to pass through in transit from Batoum, in the Black Sea, into Persia by this proposed line. Secondly, there is at present a considerable trade in British goods with Tabreez and North-East Persia by caravan from the Turkish port of Trebizond on the Black Sea, but Russia, I understand, refuses to permit the building of a railway along this route to join up with the Trans-Persian line, by which this trade might be developed. The question is, What safeguard have we that the same spirit will not be shown towards the entry of British trade into Persia by the Bagdad-Khanikin route on the south-west, and on this point I trust we shall be given some reliable information. The whole future of the British and Indian trade with Persia depends largely on this point. As to the proposed junction of this Trans-Persian line with the Indian railways, the question is so much in the clouds at present that I need not pursue it further, but I would just point out that the Russian and Indian railways have different gauges—Russian gauge is 5 feet, the Indian 5 ft. 6 in., and where is the break of gauge to be. If to the south of Yezd all the advantage will be with Russia; she will have the populous and productive parts of Persia opened up to her, while to India will be left the desert. It looks, therefore, as if the Russian promoters are seeking to make what must be regarded as a Persian State railway to subserve Russian ends, and that the so-called international question is only a catchword.

There is one other point that concerns Persia, and that is the Muscat arms traffic. I have here the Muscat Consular Report for last year, 1909-10, just published. In this it is stated that owing to the measures taken by the British and Persian Governments and the sheikhs on the littoral of the Persian Gulf to restrict the traffic, the export has declined to a great extent. This has resulted in a corresponding reduction in the import to Muscat, and the total value of imports for the year was: Belgium, 35,000*l*.; United Kingdom, 23,000*l*.; Germany, 21,000*l*.; France, 15,000*l*.; Roumania, 8,000*l*. Belgium heads the list, and Great Britain and Germany come next. France only sent 15,000*l*., or under 15 per cent. of the total imports, and yet I understand that at The Hague Conference, when other European Powers were willing to co-operate in putting a stop to this traffic, France was the only country to hold out, and by this dog-in-the-manger policy, despite the smallness of her interests, is thus largely the cause of the present raiding and plundering and lawlessness throughout South-Eastern Persia and the Afghan borderland. It is due to the selfish policy in this matter pursued by France that the British and Indian Governments are put to all the expense of their naval operations for the suppression of gun-running from Muscat to the Persian coast, which Persia by herself is utterly unable to prevent. Every outlaw, both in Persia and on the Afghan border, is now getting armed with modern small-bore rifles of precision to the disturbance of the peace in all the country round. The Persian

Government we know are helpless, and yet this traffic in arms is just as disturbing to Persia as it is to our own Indian borderland. Why, therefore, have we done nothing to assist Persia in the matter in some really practical manner. I have here a telegram from the "Times" of the 4th March, headed, "Afghans proceeding to the Coast":—

"Advices from the south show that Afghans are proceeding to the coast in unusually large numbers, presumably in expectation of the arrival of consignments of arms. Six hundred are in the neighbourhood of Bam, and a much larger force is said to be nearer Baluchistan.

"In the present temper of the tribesmen the situation gives rise to anxiety, as the Indian Government's Central Persian telegraph line runs through this zone."

These Afghan raiders are invading Persia against the will of the Persian Government, and yet we all know that the Persian Government have not got a man in the whole of Southern Persia who dares to oppose them. Why do we not, therefore, assist the Persians to stop this invasion instead of waiting till these bands of invaders reach the coast, where our men-of-war have to deal with them at great disadvantage. I remember when I was chief commissioner of Baluchistan a band of raiders invaded Mekran and captured and occupied a little fort there. We, without delay, assaulted and captured that fort, and killed or took prisoner every raider in it; and the troops then marched on into Persia, and, acting in conjunction with the Persian governor and the Persian troops, reduced the raiders to order, and the northern frontier has been undisturbed in that way ever since. Why has not the same precedent been followed since? As the Persian local governor is powerless to act alone, why have we not co-operated with him. If I remember right, an Indian regiment was once sent to Robat, on the Persian frontier, for the very purpose of stopping these Afghan bands of gun-runners, and yet when it got to the frontier that regiment was prohibited from crossing the Persian frontier, and had to sit idle on one side of a boundary pillar, while the Afghan bands marched up with their rifles on the other side.

That is neither business for Persia nor for England. If France, in the face of all Europe, continues this dog-in-the-manger policy, and, on the ground of an old commercial treaty with Muscat of fifty years ago, refuses to permit the Sultan of Muscat to put any restriction on the import of arms into his own capital, a stop ought to be put to this traffic which is so dangerous both to India and Persia.

One word as to the hardships and sufferings of our poor seamen engaged in putting down this gun-running. No one who has not been in the Persian Gulf can have the faintest idea of the terrible heat of the summer there. You might as well put 100 men into an iron oven as into an iron gun-boat to serve there. There is one good vessel, the "Sphinx," a wooden ship with large portholes, which is the only vessel fitted for this service. A sister vessel belonging to the Indian Marine at one time had guns put into her and was ready for the work, but owing to the Admiralty refusing to allow any Indian Marine ship to carry guns they had to be taken out again. Let the guns be put back into these ships. There should be no jealousy because one is a naval ship and the other belongs to the Indian Marine. It would be much better if we could have some of our Indian boats back again—some good, solid wooden vessels which are quite competent to deal with Arab dhows and local tribesmen. Let us have wooden vessels for service on the gun-running blockade in the hot weather. I should say, given these boats and given assistance on land to the Persian Government, I see no reason whatever why we should not be able to put down this dangerous traffic. We have had more than one of our Indo-European telegraph stations and the houses of resident signallers threatened. It is a very great danger to us, and it is absolutely necessary that we should take steps in conjunction with Persia to put a stop to it at the earliest possible moment. The Persian Government is helpless in the matter, and it depends on us whether we are to risk the cutting of the Central Persian telegraph line and the discontinuance of all telegraphic communication with Persia between Europe and India, and if we do nothing to put a stop to this we have no one but ourselves to blame. I therefore ask that this question may be taken into consideration, and any information which the right honourable gentleman can give on the subject we shall be very pleased to get.

Mr. Noel Buxton.—It is very welcome indeed to me, and I think to many members on this side of the House, to find on the other side so great a solicitude for the welfare of Persia as has been manifested by the honourable member. I think we may congratulate ourselves also that the leader of the Opposition gave us a lead in venturing upon this very delicate field which is now occupied by questions affecting the

Near East. I feel myself that in venturing on this question we ought to feel a very grave responsibility, and before we do so we ought to make up our minds that we will set before ourselves two conditions at least—first, that we will say nothing which can possibly be taken as offensive to any friendly Power, and, secondly, that we should purify our minds of any desire for making party points in a question of foreign relations. This is the first chance for a very long time that the House has had of expressing to the Foreign Secretary in what way it supports this policy. An opportunity for the expression of opinion is very welcome, and the loss of it to some extent last year was keenly felt; and if this is one of the allotted days of Supply it is very regrettable that the time, all too short, should be encroached upon to so great an extent as it is to-day. I should like to say, not at all by way of criticism but by way of assuring the Foreign Secretary, that he has very active and very keen support for his avowed policy, and that it seems to some of us on this side that there are respects in which that policy is not carried out so fully as we should be prepared to back it and see it carried out. I entirely agree with the framework of that policy, but, if I may quote a cynicism with which I entirely agree of Talleyrand in another connection, it is a good idea rather imperfectly carried out in some respects—a cynicism which Talleyrand failed to establish, but which I hope I shall not fail to establish, because I speak with a great sense of responsibility in regard to one or two points in connection with the Foreign Secretary's policy. It is, I believe, an axiom that the Foreign Secretary is a trustee for the welfare of the nation, and as such a trustee he cannot go to any extent beyond the views held by the people. I should like to assure him that in this policy, which is a policy of peace and friendliness, he will be well entitled to go further and to act with more vigour in some particular directions.

To come at once to my illustrations. They are drawn from the field that we have been dwelling upon this evening, the Persian question, the Turkish question, and that question which is inextricably bound up with it, the German question. I wish to assure the right honourable Baronet of the feeling which is widely held on this side of the House, that the Persian question is in no sense a party question. We have seen in the speech just delivered that there is unanimity upon the main objects of the policy of the present Government. We all have some slight information, at least, of the strategical aspects of the Persian question, and I am glad to think from that speech that on both sides of the House there is felt a very keen interest also in the ancient civilisation and in the value to the world of preserving, if possible, that civilisation, and seeing it prosper still further. There is no clash whatever to-day, happily, between sentiment and interest in the question either of Persia or of Turkey. There have been unhappy periods in the past when there was a great clash of sentiment and interests, but it is a very happy feature that to-day there is none at all. Two points have given rise to some disquietude on this side, and I daresay upon the other side, of the House, namely, the ultimatum, as it was called, last year, and the long negotiations which took place in connection with the Bank of Persia and the city house of Seligmann. There is a very keen desire felt in the House that the principle on which the Government should proceed is a desire to see the prosperity of Persia and a desire to bear in mind the interest and the value to this country of the Persian point of view, and the necessity of considering what is first of all for the good and the probable prosperity of Persia. There are objections raised, of course, to the whole idea of perpetuating the state of Persia. There is the argument that Persia cannot govern herself. I do not desire to speak on any occasion without my book. I have never been in Persia, and I offer no opinion on it, but I am very much struck by the fact that some close observers who know Persia very well, and some who are there at present, who not very long ago felt entire misgiving as to the capacity of the Persians to revive themselves at all, have within the last year, and on further acquaintance with the Persians, changed their minds, and are very hopeful indeed.

There is the other argument that inevitably in course of time there must be encroachment upon Persia by the Russian Empire, but I see no inconsistency at all between friendship for Persian prosperity and friendship for Russia. The interests of the world are increasingly commercial, and in many senses decreasingly military. The free commercial routes which can be established, and will be established, through Turkey are increasingly satisfying the legitimate ambition of the Great Powers, and make it possible that the interests of our friendship with Russia, as well as with Persia, are perfectly compatible. There is an index that I would suggest for the success of our policy in regard to Persia, and that is the self-respect of Persia. I think there is particular need to be very cautious in conducting negotiations

with such a State as that. One needs to be very cautious lest the way in which things are put should do something to injure the prestige and self-respect of the Persians. I know that no one is more capable than Sir George Bartlett of putting things in the right way. This House would support a very great care for the self-respect of such a State as Turkey or Persia, and there is some danger that tendencies or prejudices, which are in some cases the peculiar property of Englishmen, may give rise to expressions which are misunderstood by such people as the Persians. I am sure the Foreign Secretary is glad that the House should cordially support the very tender regard for the self-respect of a Power which she desires to see prosper.

To come to Turkey: it suits our book that Turkey should be prosperous, as it does that Persia should be prosperous. If Turkey is a civilised State we may even readily, as we did in the case of Japan, abandon some of the rights which we hold under the stipulations, and we shall be glad as a nation to do so if and when the proper time arrives. There was a danger to the world arising from the condition of Turkey as the "sick man." There is always a danger in every unclaimed inheritance to the amity of the sick man's relations, and there was such a danger in the case of Turkey, and Turkey's recovery is a great boon to the world.

And it being a quarter past 8, and there being private business set down by direction of the chairman of Ways and Means, under Standing Order No. 8, further proceeding was postponed.

SUPPLY.

Civil Service and Revenue Departments, 1911-12.

Vote on Account.

Postponed proceedings on amendment (Colonel Yate) to reduce by 100*l.* the Vote on Account—19,351,000*l.*

Question again proposed. Debate resumed.

Mr. Noel Burton.—I cannot say how I regret being compelled to encroach upon the speeches of honourable members on both sides of the House, and I think the great curtailment of time which has taken place to-day should entitle us to some consideration this year in regard to opportunities for debating foreign policy which were almost entirely absent last year. I was endeavouring to express the very keen support that some of us feel on this side of the House of the Foreign Secretary's policy in its full essence. It is to our minds a great idea, but somewhat imperfectly carried out, owing, I think, in great measure to that very absence of public discussion which would lend to it greater force and greater facility of expression. I take an example from our policy in relation to Turkey which is entirely bound up, in my judgment, with our relations towards Germany. We have towards the subject populations of Turkey some special obligations resulting from our actions in the past and from our special treaty commitments. These obligations entitle us and compel us to pay very close attention to what is the nature of the Turkish Government. Our attitude towards the Turkish Government, which has been so happily expressed by the Foreign Secretary to-day, coincides, I think, now with our duty towards the subject population, and therefore I think the Government is justified in holding towards the Turkish Government cordial language of approval such as we have heard in some measure to-day. I am very glad that the Government has come to this conclusion. I think during the last year or two the attitude of the Government has been rather too cold towards the Turkish Government. I think this is not justified by the defects and mistakes which have occurred during the past year. There was a time in the past when many of us felt compelled to express the strongest disapproval of cordial relations with Turkey. That was a time when, in the words of a Turkish historian, using somewhat grim and entirely unconscious humour, the Turks were accustomed to give to the Christians, as he expressed it, the treatment which they were in any case to expect at the judgment

day. Those days are happily passed, I believe, for ever. Therefore, I think it is time when we may be somewhat more cordial in our attitude to those politicians, for the most part young politicians, who have achieved the extraordinary miracle of the Turkish Revolution. Let us give credit where credit is due, and not be loath to praise as well as to blame. This is a calculation of the psychological qualities of the Turks. We want to exercise influence with them, and we want to look after our interests, which are in many cases joint interests with other countries, and I think that we are entitled to express an opinion slightly critical of that too English coldness which the Government has shown towards the Turk. I will quote an opinion, not to rely upon my own opinion, of an eminent leader of the Consular Bar in Constantinople, a man who has been distinguished with the honour of a knighthood, and who has a strong opinion on the point which may interest the House. He writes:—

"There is an increasing number who believe that the Young Turks should be backed up, whilst they are also told of their blunders. My experience is, that they listen and attend when complaint is made by those in whose friendship they have confidence."

So I am sure it is the wish of all parties in the House that they should have confidence in our friendship when it is based upon right conduct on their part. I think, to a slight extent, the Government has failed to convince them that they could, in proper circumstances, earn that cordial friendship of ours. It is a very happy thing that within the last few days the Foreign Secretary made a statement expressing his desire for the prosperity of Turkey, and a very happy comment has been made upon his expression of good-will in the Turkish press. One paper expressed it, I think, in a manner which should give us gratification, contrasting our conduct rather tardily friendly with the conduct of other Powers, and it quoted a Turkish proverb, which runs: "The friend admonishes sincerely; the enemy laughs in his sleeves." The policy of coldness and of rebuffs, I think, has not been a success, and if it has now been abandoned I trust the Foreign Secretary will push his cordial attitude in a vigorous way. In Turkey, I think, we should be rather more active than we have been. I am not suggesting a policy of insane philanthropic adventure of any kind at all, but I would recall the English precedent, which is one of the chief features of the history of English politics in Turkey, the precedent of one of our great Ambassadors. The British Ambassador at Constantinople may very well make himself a great local influence. I hope that that idea will be carried out in the future. I suggest one or two samples of the manner in which that policy might be carried out. The honourable Member for Staffordshire (Mr. Lloyd), whose knowledge and definition of views on these and other foreign questions readily entitle him to great influence upon this side of the House, shares with me, I believe, the idea that Great Britain has neglected an opportunity in Turkey in regard to the British school. Other Powers spend many times as much money as we do upon our British school. The Turks are very quick to notice that we neglect our educational duties in their capital. I myself visited the school the other day, and I saw that, by comparison with the German and the French school, it has a mere handful of Turkish scholars acquiring the English education which many Turks are very anxious to give to their sons. I suggest a sample of what might be done, and what I trust before long will be done in a larger measure. I welcome the declaration of the Foreign Secretary, that he is enquiring further from the Ambassador on that point.

There is another thing which I think we might have done. The French Government is very forward in making facilities for Turkish students to take advantage in Paris of the medical and the engineering schools, and I think, considering the immense influence of the English in Turkey, we might also do something of that kind. There is in Turkey an immense underlying current of pro-English feeling, and considering the long course of British policy in favour of Turkey, it is not wonderful that there is an ineradicable preference for the English. It should not be beyond the power of skilled diplomacy to take great advantage of that. Everyone in the House will recognise the skill which will be brought to bear upon that subject by our present Ambassador, Sir Gerard Lowther. I hope that his orders and instructions are in that sense. What are the instructions of the German Ambassador is very evident to anyone acquainted with him and to anyone who has closely followed the activity which he displays, and the very frequent attentions which are showered upon Turkish politicians by the German and also the Austrian Embassy. It is very fortunate that our policy in Turkey need not in any sense at all be anti-German. A great statesman said that in Asia there is room for us all. I trust it may prove to be so, because it is perfectly true that, in a legiti-

mate, commercial sense, in the Near East there is room for all the energies which all the Great Powers can put forward. We in the course of the last ten or twelve years have been not only complacent lookers on at German industry, but positively the backers and instigators of German enterprise. It will be a great disaster if, in connection with this most delicate question of the Bagdad Railway, we should be influenced in the smallest degree by any sort of fear, blind or otherwise, of Germany. We have in the past been influenced by blind fear of Russia, and what advantage did we ever derive from giving way to it? I will say no more on the Bagdad Railway question, because, as we all hope, it is the subject of negotiation, and in my judgment it is better to be silent. Though I share the hatred he expressed the other night of the joint guarantees, I do think we may assure the Government that they will find very cordial support if they avoid any needless difficulties in the way of a general settlement of the Bagdad Railway question. They desire that it should be pushed on.

That brings us by obvious sequence to the relations in which this question involves us with Germany. You cannot separate the Persian question, the Turkish question, and the German question. They are the same, and the same principle should be applied to them all. I venture to think that the friendly policy laid down by the Foreign Secretary would find even more support if discussion were invited and encouraged in the country than it has done to the present. What we want to see is a policy of sympathetic activity—sympathy and activity in regard to Turkey and Persia. It is an avowed policy of sympathy, and if there is to be any sort of greater vigour in that regard it must be expressed by the diplomatists who represent England in those countries. It is a policy which I think justifies even greater activity, and that in regard to Germany implies greater activity even on the part of the Foreign Secretary himself in educating public opinion. It is a policy for which I believe there exists a cordial feeling on both sides of the House which would justify him in exercising more activity. This whole field of difficulties requires, as you will obviously see, a circle of agreements which would form the bases of better relations. You cannot improve our relations with Germany until matters are set straight in regard to Turkey in Persia, and conversely you cannot set things straight in Turkey and Persia unless you are on good relations with Germany. This is the policy avowed by the Government, but I venture to think that it is not perfectly well understood abroad. Everyone is glad that there is talk now of bringing these long, dragging negotiations and discussions to an agreement. Everyone is delighted to think that there will be a specific agreement come to at no very distant date, but the Foreign Secretary will have the public at his back, I venture to say, if he pushed on the negotiations towards an agreement, because the public hope not only for their improvement, but their protection in regard to Anglo-German relations. The trouble which exists in regard to these questions of strained relations, which are matters of notoriety, is that they have been at certain moments not only a disaster to the two countries concerned, but that they are a disaster in other countries, and especially in Turkey. My point is this: The state of irritation and the fear of conceivable conflict is a disturbing factor in very many countries besides the two main factors in the situation. It is a disturbing factor in Turkey. There is a division of Turkish opinion between those of a more considerate disposition and the military section. The military section exists in every country. It derives the main part of its force from the fact that there might conceivably be a great conflict, and that a conflict is frequently talked about. It is that which encourages militarism in many a country. But the business I am concerned with is rather the discouragement of it in Turkey. We are all anxious to support the more conciliatory party in Turkey. In order that it may come to the top it is necessary that the disturbance I have alluded to should be removed from the list of factors which govern political forces in that country. It seems to me that this is really the navy question, and I trust that agreements will be announced in the not very distant future which will constitute what I remember not very long ago the Foreign Secretary described as a sedative to a somewhat inflamed situation. And this might be brought about by an improvement of feeling with an immense economy in the naval expenditure of all parties, and yet maintaining what I myself desire to see, what the Prime Minister has called a supremacy intact, unassailable, unchangeable, and unchallenged.

There is a general difficulty, I think, arising to some extent from the English type of mind. There are some habits of English diplomacy which in my judgment are too English. I will not at this hour encroach on your time by going into details of what I mean. It is in any case a very difficult matter to explain. But there are habits of mind of the English which to some extent interfere with what we all professedly avow

in our foreign policy—the practice of sympathetic activity towards both the weak races and towards the Great Power which is the subject of discussion along with them, that is, a school which depreciates the power of words and ideas, and therefore reduces the whole of its national valuation to a matter of mathematical calculation, which says that A is able to beat B, and C is not able or willing to come to the rescue of B, and therefore it is inevitable that there will be a conflict. But everyone knows that in fact nothing is more untrue. If it were true there would be perpetual war. That school of thought which denies the power of words and ideas is condemned by the whole trend of modern science as unscientific and ignorant. At all events, that is a school to which the leader of the Opposition does not belong, and I do not think that we need despair of finding that he places it in his philosophy to go on utilising the forces of opinions which we know in the long run govern the relations of Europe. I shall be asked for practical proposals. I want to suggest that there is a case for a definite propaganda. This Government has earned very great credit by its establishment, for instance, of the international entertainment fund and by the international exhibition committee. These are things which I am sure all sides cordially welcome. If money is spent upon them nothing in the end is a greater economy than the spending of that money. We have made great progress in social life. I think a corresponding progress has not been made in international life in the positive construction of peaceful ideas which Foreign Secretaries and Ministers might set themselves to carry out. This is not a sentimental idea. I think we have gone back to some extent from the level which had been reached half-a-century ago. I would like to appeal to a precedent to show that the new fact is not in the propaganda of peace, but in the decay of these propaganda. Let me give an example to indicate the sort of view which Foreign Secretaries took fifty or sixty years ago. In 1845 Sir Robert Peel was writing M. Guizot, the great French Minister, and he said:—

“Our united labours for the last few years have established foundations of accord strong enough to bear the shock of all ordinary casualties. We have succeeded in elevating the tone and spirit of the nations; have taught them to regard something higher than paltry jealousies and hostile rivalries, and to esteem and feel fully all that moral and social influence which cordial relations between the countries give to each for every good and beneficent purpose.”

Is there to-day any activity in progress which corresponds with the activity expressed in those words? Ministers deny themselves support that might be gained from more publicity and from an expression of opinion on their part.

We all welcomed with the utmost cordiality the expressions of the Prime Minister at the Guildhall last autumn; but I do not know that even on that occasion we attained to quite the level which has been reached by the German Minister (Dr. von Bethmann-Hollweg), and I do think that is a thing which requires seeing to very much and very urgently. If there is in Germany a feeling that there is something which ought to be better understood by England, though we are to some extent ourselves to blame for the misapprehension which exists, it is a misapprehension of the deepest dye, and we hope the Foreign Secretary will see that expression is given by every possible means of what is the feeling of this country, and that feeling, I think I may say, is one of cordial appreciation for all genuine progress in any legitimate way in any nation, especially that one which is perhaps, of all others, most akin to ourselves. It is the feeling which would regard an attack upon an ostensibly friendly nation as an execrable and, in the strictest sense, a damnable act, an act which must be condemned by the conscience that guides not only educated men, but guides the man in the street. A workman does not kill his rival who gets the job, even when there is no other job to obtain. That is the feeling which I think actuates the working classes, and I believe the feeling of the working classes could be brought in with international advantage. They agree that war is all very well for the swells, but poor men must help each other. I have alluded to the exhibition, and I do think that every opportunity should be taken of showing the cordial co-operation we wish to manifest in German affairs when occasion arises to join in exhibitions in Germany. I regret very much that action has not been taken this year to join in the exhibition of hygiene at Dresden. That is a small point, but it is an illustration. There is one other idea. This necessity for agreement; has it very long been felt, and is there no possibility now of a special commission such as in the past has not been unheard of in the course of international negotiations? Is it not possible now, when things are dragging so very long, to have a special commission to Berlin, or a special conference in London, if ordinary diplomatic machinery is not adequate? No one has greater gifts for such a mission than the

Foreign Secretary all sides of the House agree. There is a precedent for such a mission in the visit of Lord Beaconsfield to Berlin. There is another and more closely similar precedent in the mission of the Duke of Wellington to St. Petersburg in 1827. He was not Foreign Secretary, but he was from Lord Liverpool's Government. If such a precedent were followed, and there might be an attempt to accomplish general agreement with Germany, who could more perfectly perform the task than the Minister so renowned for his intimacy with German life and German people as the Minister for War. There is an answer, I know, to the proposals of greater activity, and that is that Ministers are overworked. So they are, but how can help be given them to make up for the overwhelming situation in which they find themselves. I venture to think that the solution lies in the greater publicity and greater positive invitation to public feeling on the part of Ministers, lies in fuller discussion in this House, which has been so severely curtailed by comparison with the past in recent times. Why not call into existence the new world to redress the balance of the world. There is a new world represented in this House, as we all think most happily represented, by the Labour party. The Labour party is the only party which during the last few months has set itself to make a point of peace education. This is a matter of public education, and unless you totally deny that there is any force controlling the world except material force, we all agree it is a matter of education, and how is education carried out unless by positive effort? Diplomacy has a very old tradition and a very rigid tradition. It is represented in our case by a very small service of a very tiny number of men compared with other services. They lead a life isolated, they are underpaid, they are extremely able and extremely charming, but what have they to help them in their work by way of the influence of public opinion? I think if public opinion expressed its real feeling it would be an immense assistance to diplomatists in every part of the world and to the Foreign Secretary. We all know that public opinion, if it had had its way in time past, would have saved us very great blunders. For instance, it would undoubtedly have saved us from the Crimean war. We are dealing to-day with hard facts. We are dealing with estimates, and we are asked this year to spend no less a sum than 628,000*l.* upon these negotiations between States quite apart from any war expenditure. Sir Robert Peel, in his last speech in the debate in 1850, said:—

"Diplomacy is a costly engine for maintaining peace and a remarkable instrument used by civilised nations for the purpose of preventing war. Unless it be used to appease the angry passions of individual men, and I am not using a precedent of a party character, but one that would be recognised by all classes, unless it is used to check feeling which arises out of national resentment, it is an instrument not only costly, but mischievous."

Mr. G. A. Lloyd.—I hope the House will allow me in the short time at our disposal to pass from the atmosphere of inoffensive amiability into which we have been plunged during the last twenty minutes or half-an-hour, and to refer to some matters of concrete importance with regard to the Bagdad Railway. The honourable member opposite (Mr. Noel Buxton) declared that in Asia there was room for all of us. If that statement included the Persian Gulf, we on this side should give it an emphatic denial, because in the Persian Gulf, politically speaking, there is no room for any two competing nations at all. It is from that point of view that I welcome the statement that we have elicited from the Foreign Secretary, reaffirming the view which has been held by British statesmen for a long time as to our exclusive and paramount position in the Persian Gulf. I welcome that statement especially, because the other day the Under-Secretary for Foreign Affairs was good enough to inform me that there was no need whatever to make any reaffirmation of our policy, because no changes whatever had taken place to make such a reaffirmation necessary. At the time at which I spoke we had recently heard from the press that certain negotiations between Russia and Germany were actually in progress. I do not know if he suggested then that those negotiations in no way altered the position; if he did, I can only say that his statement met with considerable criticism in the press of France and Germany, which in leading articles deplored his silence as being "designed, abnormal, and very regrettable." I do not know if he would consider the Russo-German negotiations, which vitally affect our position on the Bagdad line, to be of no interest to this country. I am glad to think that to-night the Foreign Secretary has given us some undertaking, if not a completely satisfactory one, that the matter is having some attention.

I had hoped to-night to give some history of the present situation with regard to the Bagdad Railway. Unfortunately, there is no time to do so, and I will pass

directly to the main point which affects this country commercially, and that is the Khanikin line, which the leader of the Opposition introduced to our notice this afternoon. Before doing so, I will just remind the committee that there is one other branch of the Bagdad Railway which is of some considerable importance to this country, from quite a different point of view, namely, the branch which will in a short time connect the main trunk line between Constantinople and Bagdad with the line at Killis and Aleppo. This, perhaps, is not a matter of very immediate concern, but in reference to it I will call the attention of the right honourable gentleman to a very interesting monograph recently published in its second edition by an eminent German economist. From that monograph it is very clear that in Germany the Germans themselves attributed great importance to linking up the Syrian line with the main Bagdad line, because they conceived that England was most vulnerable in two places—one in Egypt and one on the Persian Gulf, and the Syrian connection would be useful to Turkey, and through Turkey to Germany, if at any time such a line were needed for strategic purposes. I do not want to dwell upon that. I think those who remember the negotiations regarding the Akbar incident as well as I do, and remember what took place with respect to the Egyptian frontier, without any offence to any foreign nation, may well pause to consider what aspect strategically such Syrian connection may have in the future for England. On the strictly and purely commercial question regarding the Khanikin line, I would ask the right honourable gentleman's attention to the answer he gave to a question put by my honourable friend the Member for Melton, as to what he was going to do to safeguard our interests on the Bagdad-Khanikin line. The substance of the right honourable gentleman's answer lay in the fact that he considered that in article 24 of the "Cahier des Charges" there was ample security against discriminatory tariffs.

The right honourable gentleman the leader of the Opposition made the point that the right honourable gentleman had not quoted in full this 24th article, and had missed out a very important part. The Foreign Secretary told us that the article provided that these tariffs, whether they be differential or not, admitted the principle of differential tariffs and were applicable to all nations; but he forgot to tell us that in case of urgency the assent of the Imperial Ottoman Government was not necessary, nor was a notification to the Imperial commissioners. If the right honourable gentleman is going to base the whole million pounds' worth of trade on the reading of article 24 of the "Cahier des Charges," which in cases of urgency do not have to be referred to the Ottoman Government at all, I think it is a very slender scheme. I think Manchester merchants, tradespeople, and workpeople will have a good deal to say if that is all the right honourable gentleman has to say as to safeguarding their trade. There is nothing that can possibly safeguard our trade in that particular article. The right honourable gentleman, the leader of the Opposition, pointed out clearly, and it was perfectly possible for a German railway which may be constructed there to keep within the terms of this article 24, and yet impose a tariff which can be completely discriminatory against British goods.

Let us take the case of articles going up by that line. The main goods from Manchester and India that go up the Persian Gulf and by the British line and by the Bagdad-Khanikin route are cotton goods. The main German goods that go are of very small value, and are generally known as fancy, or cheap, goods. I put it to honourable gentlemen opposite: What on earth is there to prevent on that German railway a very low nominal tariff being put on those goods in which Germany is interested, and a prohibitory tariff on those goods in which Britain is interested? There is absolutely nothing.

It is the old most-favoured-nation clause illusion! I shall be very interested to hear from the Foreign Secretary in what way he thinks we can safeguard our trade. The Foreign Secretary twitted the right honourable gentleman, the leader of the Opposition, for having given him no suggestion as to what he could possibly do to alter the *status quo* with regard to the Bagdad Railway with regard to the safeguarding of our trade on the Khanikin line. I can give him an answer. I would ask him whether he thinks, to use a slang phrase, that "the game is quite up" on the Khanikin line? I do not. I think there is a great deal to be done in negotiation in regard to getting equal terms in the control of the Khanikin line. I am quite prepared, as I have done before, to show him the means by which I think it can be brought about.

Sir E. Grey.—What means?

Mr. Lloyd.—By building from Coolamari, below Bagdad, which would give our trade free entry to the Persian Gulf.

Sir E. Grey.—The honourable gentleman says I twitted the leader of the

Opposition for not having made a suggestion, but I went on to make a suggestion of my own. He omitted to say that I stated we should seek considerable concessions of our own, which would be under our control for British trade.

Mr. Lloyd.—The right honourable gentleman is quite prepared to base his whole case upon getting such concessions as will safeguard our own trade. I suggest one for Coolamari to Bagdad. I hope the right honourable gentleman will give us an assurance that the claim will be pressed for an alternative railway to the Persian Gulf, a railway that would safeguard our trade from any discriminatory tariff on the Khanikin line. So far we have no safeguard for over one million of trade.

Sir E. Grey.—I attach great importance to the suggestion which I did make in general terms as to the possibility of other routes, which I think the honourable member ought not to ignore, but I do not propose to prejudice in advance the success of any steps we may take in that direction by specifying beforehand the particular applications we may make.

Mr. Lloyd.—I quite understand that, and I should not like to press the right honourable gentleman in any matter of foreign policy to specify in detail what he is going to do in the future, but he deliberately challenged us to give him an answer as to what we should do. We should not have ourselves have brought up this question.

Sir E. Grey.—I am not in the least complaining of the honourable member's suggestion. I make no complaint of his suggestion.

Mr. Lloyd.—The right honourable gentleman challenged us absolutely and categorically to provide a solution, and he twitted the leader of the Opposition for not having made any suggestion. I provide a suggestion, and when I do so the right honourable gentleman says we do not propose to prejudice in advance the negotiations we are carrying on. From that point of view it is not a tolerable position. I have given an answer, and I hope such a line will be negotiated, as I believe the right honourable gentleman is concerned to see that British trade is properly safeguarded down the main route to the Persian Gulf. When we were considering this only ten years ago, before the Anglo-Russian convention, which many of us criticised so bitterly and deplore still in its terms, not on its main object, we held the whole of the route from Bagdad to Kermanshah. There is every prospect to-day, and has been in the last five years since the present Government came into office, that the route will be divided up in Persia and will be given to the Russian Government, and in practice to the German Government. To many of us that is an intolerable position for British trade, and we see no justification whatever for it. I remember the arguments put forward in connection with the Anglo-Russian concession, when we were told in neutral zones there was no reason why we should not have equal rights with Russia. The right honourable gentleman has forgotten he has allowed all the termini to be included in the Russian sphere; and you cannot build a railway from Russia down to a spot in the desert, and that is what you have left in the northern zone of Russia at the present time. I wish to ask the right honourable gentleman to consider one other point in regard to the Bagdad-Khanikin route. I want him to take his mind back to the days of Lord Stretford Canning and his correspondence with regard to another great trade route which he created, and which has been of great value to British trade—I refer to the route through Trebizond, Erzeroum, Tabreez, and Tehran from the Black Sea into Northern Persia. If the right honourable Baronet takes the trouble to read the correspondence that passed in those days and the pains taken to form that route for the benefit of British trade, and if he will look at that route to-day, and see what has happened to it by following the policy of natural channels, he will see that, year by year, while the trade of Trebizond increases, our trade decreases annually owing to Russian subsidies and our own apathy with regard to this particular route. The trade there is measured by transport capacity, and only fourteen years ago 40,000 camels a-year were being loaded up with British goods to take into Persia. Only three years ago that total of 40,000 had sunk to 22,000, and now that total has sunk to under 20,000 camel loads. Now that route has practically been abandoned in regard to British trade, and if the right honourable gentleman will read the report of his own consul for Persia, he will see in the opening lines that he has a very unsatisfactory year to record, because British trade has sunk while Russian trade has increased. According to the right honourable gentleman's own report, British trade has decreased by 11·1 per cent. last year, while Russian trade has increased by 3·75 per cent. If the right honourable gentleman finds any satisfaction in that state of things in Persia with regard to our trade, then

I cannot agree with him. I think it most deplorable, and I hope measures to secure our trade interests will be taken in connection with the Bagdad-Khanikin line, or any other subsidiary line, by the Foreign Office.

Lastly, I wish to refer to the political situation that obtains below Bagdad. I think the leader of the Opposition has stated the case very plainly to-night. We all agree that, so far as the Bagdad Railway is within Turkish territory, we can have no real decisive claims upon it, but we may negotiate in respect of our old privileges and the old historic character of our relations with Turkey below Bagdad on the Tigris River and any other portions. But once we come to negotiate with regard to Koweit itself the matter is entirely different. The right honourable Baronet has given us a very unsatisfactory statement with regard to Koweit. I regret it was not given earlier. When the Foreign Secretary asks us whether there is anything which can be done to stop those measures which have been taken against us in that part of the world, I would reply that if he would occasionally treat this House with a little more candour, if he would make some open statement of the continuity of foreign policy when it is called for by those who care very deeply about foreign affairs, and who do not wish to get details of an embarrassing nature from the right honourable gentleman, as he knows very well, as I have on one or two occasions, and failed to get it, he would do a service to this country by stopping the machinations of other foreign nations with regard to our diplomacy in the East. I remember very well when I made a speech last summer on the question of Crete I was met by the right honourable gentleman opposite with criticisms, and it was with great reluctance he made any statement at all. What was the result of the statement he made? The result of the statement, which, if I may use the word with all courtesy, he was compelled to make by my speech in the House, was that in all the main newspapers in Europe it was said the right honourable gentleman's speech had allayed anxiety in the East, and largely conduced to a peaceful settlement of that very difficult question. I adduce that as a proof that, if occasionally when we call, as we have every right to do, for a statement of the continuity of foreign policy in this House, the right honourable gentleman could meet us with a little more candour than he has in the past it would be an advantage. In conclusion, with regard to Koweit, I would ask the House to remember that when once we leave Turkish territory just below Bussorah, Turkish claims do not hold good, and Turkish sovereignty can claim absolutely nothing. It has been independent territory, and avowed as such in this House and in England for many a long year past; and the sooner that is understood by our friends the Turks, with whom I have the deepest sympathy, and for whose policy I have worked very hard for many a long year past as they know, the sooner shall we clear up the many difficulties that lie in the way of the Bagdad Railway. The sooner that is done, and it can only be done by the most firm attitude on our part, the sooner we shall have better relations with Germany, and not until then.

Mr. James Hope.—Last year we had no Foreign Office Vote put down at all, and no proper discussion on foreign affairs. To-day the discussion has been interrupted by other business, both in the afternoon and in the evening, and I would ask the right honourable Baronet to use his influence with the Prime Minister, so that the Foreign Office Vote shall be put down on the earliest possible Thursday.

Sir E. Grey.—I quite agree that the discussion has been very much interrupted. Of course, I cannot undertake to say when the Foreign Office Vote will be taken, but I understand that the general convenience of the House is consulted through the usual channel, and it will be so in this case. The fact that the discussion has been interrupted to-night will no doubt be taken into consideration.

Mr. James Hope.—Will the right honourable Baronet do his best?

Question put: "That item class 2, Vote 5 (Foreign Office), be reduced by 100l."

The Committee divided: Ayes, 89; Noes, 232.

[9044]

No. 152.

Lord Grimthorpe to Sir Edward Grey.—(Received March 11.)

My dear Grey,

80, Portland Place, W., March 9, 1911.

MANY thanks for your letter of the 8th instant. Whether the Russian Government will offer such terms as to make it worth our while to build the railway remains to be seen. If they do, I will not fail to let you know what they are before we sign the contract.

Yours very truly,
GRIMTHORPE.

[9061]

No. 153.

Sir G. Buchanan to Sir Edward Grey.—(Received March 11.)

(No. 55. Secret.)

(Telegraphic.) P.

St. Petersburg, March 11, 1911.

PERSIAN railways. My telegram No. 54, Secret, of the 10th March.

I shall shortly have to ask for an interview with M. Stolypin in order to speak to him about the extension of the fishery limit. Would you wish me to take the opportunity of broaching the question of the Mohammedrah-Khorembad Railway to him? If it is the wish of His Majesty's Government to ask for the concession for this line at once I might explain to M. Stolypin our reasons, and say that I hoped there would be no objections on the part of the Russian Government. I might add that we would discuss the whole question with them before proceeding to construct the line.

The matter will have to be submitted by M. Stolypin to the Council of Ministers, and, if you approve the above suggestion, it would, therefore, be advisable for me to furnish him with a confidential memorandum setting forth any views that I may be instructed to express to his Excellency.

[8930]

No. 154.

Sir Edward Grey to Sir G. Louther.

(No. 63.)

(Telegraphic.) P.

Foreign Office, March 11, 1911.

BAGDAD Railway. Your telegram No. 58.

You may choose the exact form which your communication on the subject of the 4 per cent. customs increase shall take, but it is essential that it should be made in writing and in a form which will put it on record at the Porte, as they have persistently misconceived our attitude in regard to this question.

If you refer to memorandum handed to Ottoman Minister of Finance on the 29th July, 1910, you will see that the condition about Egyptian borrowing powers is not a new one.

[9095]

No. 155.

Sir E. Goschen to Sir Edward Grey.—(Received March 13.)

(No. 65.)

Sir,

Berlin, March 10, 1911.

I HAVE the honour to report that your speech in the House of Commons on the subject of the Bagdad Railway and Koweit questions has, according to the "Nord-deutsche Allgemeine Zeitung," made a very favourable impression in official circles. "Your statesmanlike speech," that paper says, "clearly shows the lines on which an understanding can be discussed and arrived at, both as regards the raising of the Turkish customs dues and the building of the railway from Bagdad to the Gulf."

The Imperial Chancellor told me this evening that it was he himself who had caused this paragraph to be inserted, and he asked me to tell you how much he appreciated your clear and conciliatory language on these two questions. His Excellency also said that he was glad to be able to say that he noted a general

improvement in the relations between the two countries. This opinion was, he told me, shared by Count Metternich, whom no one could ever accuse of exaggerated optimism.

The Chancellor did not mention the question of Koweit, but the press this evening has much to say on the subject. As the messenger leaves to-morrow morning, I have not time to give more than the briefest summary of their remarks. The "Vossische Zeitung" says, while expressing itself very favourably as regards your statement regarding the Bagdad Railway, that it cannot on the other hand agree with your observations respecting Koweit. It says that though the Turkish sovereignty over Koweit has for many years laid dormant it nevertheless exists, and that though through this sovereignty not having been made effective Great Britain has been able to obtain a footing there, the treaties she has made with the Sheikh of Koweit cannot be held as valid, as they are not recognised by Turkey. It adds that things now are not as they were, and, that with the regeneration of Turkey, a thorough examination and exchange of views on the subject between the two Powers concerned cannot be much longer delayed.

The "Kreuz-Zeitung," at the close of a long historical article on the subject of the position of Great Britain in the Persian Gulf, says that the necessity of putting an end to all doubts on this question has now become acute, and that, as it is in itself a question of right, the Court of Arbitration at The Hague would seem to be the proper place to have the matter definitely thrashed out. It adds that though it can hardly be supposed that, as the first and foremost champion of the principle of arbitration, Great Britain could refuse such a proposal were it to be made to her by Turkey, still it cannot be denied that there are certain difficulties arising out of the general situation which stand in the way of such a solution.

In a second article on the same subject, the "Kreuz," after scoffing at the British idea that in this question Germany stands behind Turkey, quotes largely from Mahan's articles, and especially from an article by that writer in the "National Review" of September 1902, in which he comes to the conclusion that as long as Germany's nearest harbour to the Persian Gulf lies in the North Sea, the Bagdad Railway, as far as that Power is concerned, constitutes strategically no danger to Great Britain. The "Kreuz-Zeitung" says that Englishmen will not fail to remark that Mahan's article was written before Germany commenced to build Dreadnoughts, and that the situation has thereby been changed, and it adds that articles have appeared in the British press to the effect that, though Great Britain has the power to maintain her position in the Persian Gulf, it can only be done by weakening her naval strength in Home waters. This argument, the "Kreuz" observes, applies in a far greater measure to Germany, for if she detach even a fairly strong squadron to the Persian Gulf, how could she possibly defend her coasts against an attack by the British fleet?

The article then says: "If we understand the policy of Great Britain in the Persian Gulf correctly, her idea is that she must exclude from the Persian Gulf any foreign fleet which is, or might become, strong enough to threaten India or the British sea-routes from the Suez Canal to the East. An effective means for realising this idea would be to set up a new Aden or Gibraltar, either on Persian or Arabian territory, at the entrance to the Gulf. In this case France would have to be induced to sell her treaty rights in Oman; perhaps, also, in spite of the understanding of 1907, Russia might raise diplomatic difficulties. Still, the idea is not new, and the creation of British spheres of influence in Persia may have been a preliminary to such a step should events render it necessary. Another way would be the formation of a strong naval squadron, with its base on the Indian coast, whose duty it would be to close the entrance to the Gulf when necessary. In both cases Great Britain would be true to her traditional policy of letting no straits or narrow seas of any strategic importance fall into the hands of a great sea power. Both of these methods would, of course, cost a great deal of money, and would be a heavy charge on both the English and Indian exchequers; they would, moreover, necessarily give rise to considerable difficulties and discussions.

"There is, however, a third way for Great Britain to realise her aims if she really considers it so vital to her interests to keep any foreign maritime Power out of the Persian Gulf; it is, perhaps, open to her to arrive at that result by diplomatic means. Whether Russia would lend herself to an arrangement on the lines desired by England is a question by itself. First and foremost it is a question between Great Britain and Germany, and as Germany's interests in the East are of a commercial and not a political nature, an understanding between the two Powers on the subject of the Persian Gulf would appear to be by no means impossible.

"The particular question of Koweit is in itself a juridical matter—a question of

rights. If, as such, it was an isolated question, Turkey could not do better than propose to Great Britain that it should be referred to The Hague tribunal. It is, however, not an isolated question, but one closely bound up with the numerous political and strategical problems of the Persian Gulf. But the whole Koweit question would lose its importance, and the solution of the southern section of the Bagdad Railway become comparatively easy, if only an Anglo-German Persian Gulf understanding could be arranged which would pay due regard to Great Britain's special position and her political and strategic interests."

This is the concluding sentence of the article, and there is no mention of what concessions or advantages Germany would, in the writer's opinion, expect to gain from such an understanding. As, however, the article from which I have quoted is one of a series, the German side of the question may possibly appear in a subsequent issue of the "Kreuz-Zeitung."

I have, &c.
(for the Ambassador),
R. S. SEYMOUR.

[9220]

No. 156.

Sir E. Goschen to Sir Edward Grey.—(Received March 13.)

(No. 66.)
Sir,

Berlin, March 11, 1911.

"THE Pan-German "Deutsche Tageszeitung," in an article entitled, "The North German Gazette and the British Press," says that the recent article in the German semi-official organ on the Bagdad Railway question (see my despatch No. 55 of the 7th instant), has had the effect in England of a salutary cold douche, and that its clear statement of facts is a welcome change from the endless talk in the British press about "undoubted claims" and "well-founded" rights. Regret is then expressed that the article in the "Frankfurter Zeitung" (enclosed in my despatch No. 55 of the 7th instant), was not more fully quoted in English newspapers, as the "Tageszeitung" considers that the explanations of that organ were of a nature to make the case particularly clear to the average Englishman, which was extremely desirable in view of the fact that the opinion had been expressed repeatedly by English newspaper writers that the establishment of a "German Gibraltar" on the Persian Gulf would be intolerable to England.

After reproducing several passages from English press articles on the vexed question of Koweit, the "Tageszeitung" observes that England might perhaps be ready to give evidence of her friendliness towards Turkey by publishing the terms of her ominous agreement with the sheikh.

I have, &c.
W. E. GOSCHEN.

[9298]

No. 157.

Extract from the "Times" of March 11.—(Received March 13, 1911.)

The Bagdad Railway: Germany and Sir Edward Grey's Speech.

A CHANGE OF FRONT.
(From our own Correspondent.)

Berlin, March 10, 1911.

THE "North German Gazette" publishes the following semi-official note this evening:—

"The statesmanlike utterances ('die in staatsmännischem Geiste gehaltenen Ausführungen') of the British Foreign Secretary, Sir Edward Grey, in regard to the Bagdad Railway question have made a very favourable impression in Government circles in Berlin. The statements of the British Minister point the road by which an

agreement can be prepared and arrived at ('angebahnt und erreicht') both in the question of the increase of the customs and with regard to the carrying out of the construction of the line from Bagdad to the Gulf."

It is unofficially stated that the Emperor William had a long conversation this morning with the German Foreign Secretary, Herr von Kiderlen-Waechter.

[9299]

No. 158.

Extract from the "Times" of March 13, 1911.—(Received at Foreign Office, March 13.)

TO THE EDITOR OF THE "TIMES."

Sir,

IT has been announced that negotiations are about to take place between the Ottoman and British Governments with reference to Mesopotamia and the Persian Gulf, including the question of the terminal section of the Bagdad Railway.

Everyone who desires the removal of causes of friction between the three countries concerned (the United Kingdom, Turkey, and Germany) must hope that these negotiations will be successful. But the public will have a voice in the matter, and agreement will be difficult unless public opinion in the three countries can free itself from prejudice and misapprehensions, and can appreciate the position of the other parties.

There are several aspects of the question which invite comment from this point of view, but I do not venture to ask you for space to deal with more than one such matter—the kilometric guarantees.

"Kilometric guarantees" have acquired a bad name. They are habitually treated as implying moral obliquity in anyone who has anything to do with them. The "Times," in a recent leading article, has described them as "iniquitous." Mr. Lloyd, M.P., in the House of Commons, expressed a hope that we should refrain from "smirching our fingers" with them. The "Spectator" reserves for them its most solemn anathemas.

I venture to assert, without fear of contradiction, that there are hardly any railways in Turkey which can be built without a guarantee of some kind, since the prospects of traffic at the outset are not sufficiently good to cover working expenses and give even the most moderate remuneration to the capital employed. It is frequently stated, with an air of superiority, that the Smyrna-Aidin Railway (the only British-owned railway in Turkey) has no guarantee. This line serves one of the richest and best cultivated districts in Turkey, but during the first thirty-two years of its existence it was in receipt of a guarantee. Some other railways (such as the Salonica-Monastir Railway) may prove remunerative, apart from a guarantee, after they have been working for a certain time. But, broadly speaking, it may be said that in Turkey, as in India and many other undeveloped countries, Government guarantees of some kind or other are indispensable if the country is to be opened up by railways. In these circumstances, it is unreasonable to criticise the Government for offering, or undertakers for accepting, guarantees.

Apart, however, from the general question, the guarantees for the Bagdad Railway have been attacked as "iniquitous" on the ground that they are excessive in amount and vicious in form. I do not say that the arrangement is the best that could be devised in the interests of either of the parties, but an examination of the figures will show that there has been much exaggeration on the part of the critics.

The guarantee of the Bagdad Railway is divided into two parts. The first relates to the construction of the railway, the second to its working. As regards construction, the Turkish Government hands over to the concessionaire company for each kilometre of line built Government 4 per cent. bonds to the nominal value of 10,764l., requiring an annuity of 440l. for interest and sinking fund. The cash equivalent of these bonds at the present level of Turkish credit may be taken as about 8,500l. For this sum the line has to be built and provided with rolling stock. The specification for the building is a very stringent one. It provides for 75-lb. rails and a speed throughout of 75 kilom. per hour, including stoppages. The company has to meet the charge for interest on the bonds for each section during construction. The company also takes the risk of any fall in Turkish credit, which would diminish the cash proceeds of the bonds. The railway, when completed, is the property of the Government.

[1773]

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There is no doubt that in the easier sections of the line the sum available will leave an ample margin, and it is mainly on an estimate of the cost in the easy sections that the attacks are based. But there is equally no doubt that there are other sections, such as that now being constructed through the Taurus Mountains, where there will be a large deficit. It is probable that on the whole undertaking there will be a substantial balance on the right side; indeed, if it were otherwise, no one would have accepted the concession. But even if this balance should amount eventually to 15 or 20 per cent. of the whole cost to the Government (and it is improbable that it will be more than this), it is contended by the concessionnaires that this is not an excessive margin of safety for those who undertook to carry through an enterprise costing some 20,000,000*l.*, extending, perhaps, over fifteen or twenty years, and depending for its successful prosecution on the maintenance during that period of Turkish credit. Opinions may legitimately differ as to the precise margin required, but such difference of opinion does not justify or excuse charges of extortion or iniquity.

The second part of the guarantee relates to the arrangements for working the line. The Government guarantees to the company which will work this line yearly receipts of 4,500 *fr.* (180*l.*) per kilometre; that is to say, if the gross traffic receipts are less than that amount the Government makes up the deficit. Thus, if the receipts amount to exactly 180*l.* per kilometre the Government has nothing to pay and nothing to receive in respect of the working. All receipts above 4,500 *fr.* per kilometre go to the Government until a yield of 10,000 *fr.* (400*l.*) per kilometre is reached, at which point the company's share will be 180*l.* and the Government's 220*l.* Any receipts above that amount are divided in the proportion of 40 per cent. to the company and 60 per cent. to the Government. Such sums as may accrue to the Government from the traffic receipts naturally go in reduction of the amount payable for the construction guarantee. Thus, if the gross receipts should ever amount to as much as 20,000 *fr.* (800*l.*) per kilometre per annum, the Government's share would be 460*l.* (since 220*l.* + $\frac{60}{100}$ ths of 400*l.* = 460*l.*). At this point the railway would not only be earning enough to pay for its own construction, but would have become a source of direct profit to the Government.

This arrangement is favourable to the Government and unfavourable to the company. Indeed, it is criticised for defects precisely the opposite of those alleged in the case of the construction guarantee. It is pointed out that the share assigned to the company will hardly suffice (except where the traffic is very small) to meet the cost of working, and that consequently it does not offer inducements to the company to foster traffic. There is some truth in this, and it is obviously expedient, in the interest of all parties, that the working company should have a strong interest in developing traffic. It would be to the advantage of the Bagdad Railway Company to secure a modification in this direction if it could be obtained without a disproportionate sacrifice in other respects; but whether the Ottoman Government would see the advantages of such a modification with sufficient clearness to induce them to relinquish a part of their large share of the traffic receipts is more doubtful. In any case, there is no ground here for accusing the concessionnaires of having obtained an unfair and extortionate advantage.

This brief analysis of the guarantees shows, I think, that the indignation of their critics is based on a very one-sided view of the facts. In any case the result is deplorable. The Turks themselves, while regretting that a better bargain was not made when the concession was granted, fully recognise its validity. Moreover, they are anxious to see the railway constructed. They are therefore by no means grateful to us for obstructing the completion of the line by way of showing greater zeal than themselves for the protection of their interests in a matter which does not directly concern us. The Germans, not unnaturally, perhaps, doubt whether we should be at such pains to protect the Turkish Treasury if we were not hostile to the enterprise on other grounds. It is necessary for us to recognise that by covering the present holders of the concession with reproaches, which they strongly resent, we do not facilitate the remodelling of the scheme on lines which would remove our objections to it, especially as the concessionnaires would feel that by inviting modifications of the present contract they might be taken to admit that the attacks on it are well founded.

The problem is one which is by no means incapable of solution if it is approached with good-will; but such language as has been used about the enterprise tends to create an atmosphere of hostility, and so renders the solution more difficult.

I am, &c.

VERITAS.

[9318]

No. 159.

Extract from the "Times" of March 13.—(Received at Foreign Office March 13.)

THE BAGDAD RAILWAY: TURKISH VIEWS.

THUS far the utmost secrecy has been maintained with regard to the progress of the negotiations between the Bagdad Railway Company and the Porte. As for the pourparlers between Great Britain and Turkey on the questions connected with the Persian Gulf and the prolongation of the railway south of Bagdad, all that can be said is that Rifaat Pasha has adumbrated certain proposals on behalf of the Ottoman Government.

In some influential Young Turk circles the view seems to be held that the result of these pourparlers will depend entirely on the settlement, in a manner favourable to the Turkish claims, of the Koweit question. In the case of such a settlement, the Porte is likely to agree to the internationalisation of the terminal section of the Bagdad Railway from Bagdad to Koweit on the basis of a measure of participation in the financial control of that section. Such control it would desire should be shared by England, France, Germany, and Turkey.

Failing such a settlement of the Koweit question, the concession for the construction of the Gulf section will, it is thought, be granted exclusively to the Bagdad Railway Company, and the terminus of the line would be established either at Bussorah or at a point on the coast of the Persian Gulf north of Koweit, such as Umm Kasr or Khor Abdullah, both of which are considered here to be Turkish territory.

Constantinople, March 12, 1911.

[9344]

No. 160.

Sir G. Lowther to Sir Edward Grey.—(Received March 14.)

(No. 154.)

Sir,

Constantinople, March 10, 1911.

I HAVE the honour to forward herewith translation of an article by Hussein Jahid in to-day's "Tanin" on the subject of the Bagdad Railway and the 4 per cent. increase of customs dues, entitled "Fresh Statements by Sir Edward Grey."

I have, &c.

GERARD LOWTHER.

Enclosure in No. 160.

Full Summary of Hussein Jahid's Leading Article in the "Tanin" of March 10, 1911.
(Translation.)

FRESH STATEMENTS BY SIR EDWARD GREY.

WE know by experience that mistakes sometimes creep into telegrams from London which do not come direct, but are passed on from one centre to another. Our present remarks must therefore be considered to apply only if the reports of Sir E. Grey's statements with regard to railways in Turkey and the customs increase are correct.

[Here follows part of the telegram in question.]

We can accept the statement about the English being able to try to obtain other railway concessions, provided the meaning of the phrase is not stretched. Our country is open to foreign capital, and we expect foreign capitalists to share in its economic progress, and we are therefore pleased that English capitalists should seek to obtain railway concessions in Turkey; but if there is any possibility of stretching (the phrase) to mean interference with the Bagdad-Bussorah Railway negotiations, i.e., if there is any desire to regard (such other concessions) as compensation for the construction of the Bagdad-Bussorah line, we say that Turkey cannot accept such a desire.

We find the subsequent statements of Sir E. Grey lacking in clearness—a fact due no doubt to the necessity for brevity in telegrams. Sir E. Grey says that he does not despair of the English being able to obtain other railway concessions in Turkey, and that what gives him hope is that the Ottoman Government has applied to England with regard to an increase in the customs dues. This means that the British Government will impose some conditions on our rightful, lawful demand. Seeing that at bottom it is the Ottomans who will pay the customs dues, and that not a farthing will come out of the pockets of foreigners on that account, we cannot think it quite right for anyone to raise difficulties over this increase which we need to ensure our financial equilibrium and to consolidate our Government, or to act as though making sacrifices to Turkey and to seek for compensation.

When we once proposed to England that the customs should be increased, the condition she laid down was that the increase in revenue under that head should not be devoted to the construction of the Bagdad Railway. We now see that the railway can be built with the old ear-marked revenue. Are we going to meet with fresh proposals just when we thought we had a right to expect England to give her consent?

In speaking about "railways which might damage the rights of British commerce," Sir E. Grey is evidently referring to the Lynch steamers. If the Bagdad-Bussorah line is constructed, it will compete with the Lynch steamers; therefore let it not be built. That is the point of view of the English Minister for Foreign Affairs in its nakedness. This means that we made a mistake in ever allowing English capitalists to come to Irak; for it means that we shall now have to suffer punishment for that permission in being unable to build a railway we want. For us to be able to build a railway in our own country—a question of life and death—they impose a condition on us and tell us to safeguard and assure England's commercial interests. With such bitter examples before us, how can we help being scared of foreign capital in general? For we see that a favour granted by us to-day in answer to a request and entreaty is used against us to-morrow as a weapon. Such an action may be a sign of strength, but it is not a proof of such justice as will win honour and glory.

[9419]

No. 161.

Extract from the "Times" of March 14, 1911.—(Received at Foreign Office, March 14.)

THE KILOMETRIC GUARANTEES.

(To the Editor of the "Times.")

Sir,

THE letter from your correspondent "Veritas" in to-day's issue raises an interesting question and one which is not unlikely to become urgent in the near future.

I differ profoundly from your correspondent in regard to much of his letter, but I desire at present to join issue with him upon one aspect of the question alone; his contention that while the construction annuity may perhaps be excessive, the guarantee for working the line is arranged upon such a scale that any excess yielded by the first item is more than counterbalanced by the loss to the promoters involved in the second, with the net result that the railway becomes a direct source of profit to the Turkish Government.

Your correspondent admits that in regard to construction there will be a substantial balance on the right side—that is, in favour of the promoters: this substantial balance may be 1,000,000*l.*, 3,000,000*l.*, or even 5,000,000*l.*

The Turkish Government have to recoup themselves for this substantial balance—which is an adverse one from the point of view of the Turkish taxpayer—by the working expenses guarantee. What is this "working expenses guarantee"?

According to article 35 of the Bagdad Railway Convention of March, 1903, it is provided as follows:—

Until the gross [not net] receipts per kilometre reached 4,500 fr. per annum, the difference between this sum and the actual gross receipts will be made up to the company by the Ottoman Government. When those receipts exceed the said 4,500 fr., but have not reached 10,000 fr., the entire surplus, over and above 4,500 fr., goes to

the Ottoman Government. When the gross kilometric receipts surpass 10,000 fr. the excess over this sum is to be divided between the Government and the company in the [unusual] proportion of 60 per cent. and 40 per cent.

Now, sir, in the Egyptian Delta Railways it is, I believe, found necessary to invert the last-named proportion, so that of the gross receipts only 40 per cent. accrues to the Government and 60 per cent. is left to the railway company. How, therefore, will it pay the Bagdad Railway Company to work the line if such an unusual proportion as 60 per cent. of the gross receipts is to be forfeited to the Turkish Government? The conclusion is obvious: so long as the gross kilometric receipts are kept below 4,500 fr., there is no possibility of loss to the company; it is therefore to the direct advantage of the company to restrict receipts within that figure; in other words, the first aim of the company must be, from the point of view of its shareholders, to discourage traffic on the line; and, so long as this is successfully done, the profit of the Government from the undertaking is *nil*, while there is nothing to outweigh the "substantial balance" in the hands of the company after construction.

While, therefore, the construction annuity is more than sufficient, the working expenses guarantee is arranged upon such a scale as to discourage traffic. Neither arrangement is apparently to the benefit of the Turkish taxpayer.

There seems to be a consensus of opinion that, as your correspondent points out, in Turkey, in India, and in other undeveloped countries some sort of a guarantee is essential to encourage the construction of railways. But there are forms of guarantee, such as that usually adopted by the Government of India, which make it to the interest not only of the Government, but likewise of the company, that traffic should be progressively developed on sound commercial lines.

Your correspondent has doubts as to whether the Ottoman Government would see the advantages of substituting some such arrangement as obtains in India for one which places a premium on dubious methods. I cannot bring myself to share his appreciation of the intelligence of the Young Turks. I rather apprehend that the objection to a modification in the terms of the concession will emanate from the promoters of that enterprise; while there have been clear indications, not only in the Turkish press, but in the Chamber of Deputies, that opinion in Turkey is aware that all is not well under the terms of the concession of 1903.

I am, &c.

PROBITAS.

March 13, 1911.

[8929]

No. 162.

Sir Edward Grey to Sir G. Buchanan.

(No. 87. Secret.)

(Telegraphic.) P.

Foreign Office, March 14, 1911.

YOUR telegrams No. 54 of the 10th March and No. 55 of the 11th March: Mohammerah-Khorremabad line.

Course proposed in your telegram No. 55 has my approval, but it might be more prudent to allude to our trade in Western rather than in Northern Persia in any conversations you may have with Minister for Foreign Affairs. Our trade via Bagdad and Kermanshah, as you are no doubt aware, has recently risen to nearly 1,000,000*l.* a-year, but it would be as well to avoid rousing Russian susceptibilities unnecessarily. No allusion should be made to trans-Persian railway project.

M. Stolypin may be handed a memorandum as you propose, and he should be given to understand that at present we only wish to obtain an option to construct the line and the port at Khor Musa, but that we consider it important to approach the Persian Government without delay. You may add that we will discuss the subject very fully with the Russian Government before we exercise that option, and consider carefully how far British capital could be induced to invest in a Russian linking-up line from Julfa to point on proposed Mohammerah-Khorremabad line, and how best Russian trade interests can be safeguarded if scheme is realised.

[1773]

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[9842]

No. 163.

Sir Edward Grey to Sir F. Bertie.

(No. 90.)

Sir,

Foreign Office, March 14, 1911.

I TOLD M. Cambon to-day, confidentially, what were the Turkish proposals with regard to the Bagdad Railway, pointing out that, in return for a 20 per cent. participation in the section from Bagdad to the Gulf, we should hand over Koweit to the Turks. This, of course, was impossible. But we were having the proposals examined by the India Office and the Board of Trade, and I considered that we were only at the beginning of the negotiations.

M. Cambon thought it was out of the question that we should accept the Turkish proposals as they stood. He told me that he had pointed out this to Djavad Bey, of the Turkish Embassy in London, a Young Turk, who was well *au courant* with things. M. Cambon had said to him that we should certainly require a much larger participation, the presidency of the directorate, and so forth. In addition, we had with the Sheikh of Koweit a treaty which was anterior to the Turkish dealings with him, and we should require that he should be secured in his *status quo*, in fact in home rule. M. Cambon told me that Djavad Bey was quite alive to the fact the proposals now put forward by the Turks could not be more than a first step, and was quite satisfactory with regard to the *status quo* and home rule for the Sheikh of Koweit, saying that the Turks would not disturb the sheikh. But he had explained that the railway must end in an Ottoman port, because the company would be Ottoman, and there would have to be Ottoman customs officials and police along the line, and so forth. M. Cambon considered that all this pointed to the possibility of an arrangement.

I thanked him for telling me what Djavad Bey had said, it would be helpful to us in conducting the negotiations. One essential point, which we must secure, was that whatever arrangement was come to, the position of the Sheikh of Koweit must not be worse than at present. This was an obligation of honour for us.

I am, &c.
E. GREY.

[9841]

No. 164.

Sir Edward Grey to Sir G. Buchanan.

(No. 78.)

Sir,

Foreign Office, March 14, 1911.

COUNT BENCKENDORFF reminded me to-day that the Russian Government had expressed sympathy with the Trans-Persian railway proposal, and had said that they could not express a more definite opinion before having a project put before them by a "Comité d'Études," and Count Benckendorff pressed me as to whether the British Government could not say something sympathetic.

I asked whether the "Comité d'Études" would expect a guarantee.

Count Benckendorff replied that the idea was that the Russian Government should promise them the profit on the transit through Russia of all goods for the Trans-Persian railway. This railway would bring increased traffic to the Russian lines in Russia, and the profit on this increase would amount to about 4,500,000 roubles a-year. This was something to begin with.

I observed that, since M. Sazonov had been so positive that no guarantee could be given by the Russian Government for any Persian railway, I had assumed that the project could not make much progress. But, nevertheless, we had lost no time in communicating with the Government of India. I would now look into what had passed, and let him have a reply.

He reminded me that the Emperor took great interest in the question.

I am, &c.
E. GREY.

[9842]

No. 165.

Sir Edward Grey to Sir G. Buchanan.

(No. 79.)

Sir,

Foreign Office, March 14, 1911.

I GAVE Count Benckendorff to-day, very confidentially, the same information as to the Bagdad Railway and Persian railways as I had just given to M. Cambon, which I have recorded in my despatch No. 89 to Sir F. Bertie.

I am, &c.
E. GREY.

[9557]

No. 166.

Extract from the "Morning Post" of March 15, 1911.—(Received at Foreign Office, March 15, 1911.)

BAGDAD RAILWAY QUESTION: FRENCH GOVERNMENT'S ATTITUDE.

[From a French Correspondent.]

THE attitude of the French Government towards the Bagdad Railway question cannot be thoroughly understood without a short historical retrospect. For a very long time, in fact until the year 1902, French policy in respect of the Bagdad scheme was rather unsteady. The idea of connecting Asia Minor with the Persian Gulf, which the German engineer, W. von Pressel, launched in 1871, could not appeal to France more than to England, since all the previous English or French schemes had always contemplated the linking of the Persian Gulf and of Mesopotamia with the *échelles* of the Levant, on the Mediterranean coast. Owing to the importance of French settlements in Syria such a line as the Mediterranean-Bagdad Railway recommended in 1856 by Sir John MacNeill and General Chesney would have suited France much better than the German plan. Still, it appeared from the first that the Turks themselves would, for strategical reasons, prefer the German scheme to the English one, their main wish being to connect Constantinople with the remotest parts of their Empire. Therefore the French Government never offered a blind opposition to the new enterprise. Curiously enough, it was a French company, the Compagnie Fives-Lille, which constructed the first line from Haidar-Pacha to Ismid in 1871-73.

A new situation arose, however, when a German company secured in 1888 the concession from Ismid to Angora with the promise of an ulterior extension towards Bagdad. With a little more energy it was generally thought at the time that France might have secured the concession for herself. But now the Deutsche Bank had the railway and meant business. In 1893 the German rails reached Angora, and the Anatolian company secured two more concessions—one from Angora to Kaisariéh, which was left untouched; the other from Eskisher to Konieh, which removed from north to south the route to be followed by the future Bagdad line. A double menace was thereby offered to French interests. First of all, the French lines in Asia Minor were shut out from any extension towards the east or the south. Such was the case with the line from Mudania to Brusa, and later on with the Smyrna-Kassaba line, after the latter had been bought by French financiers from an English company. In the second place, the Bagdad line was to take the Syrian route instead of crossing the Kurdistan; it was bound to injure the Mersina-Adana line, worked by an Anglo-French company, and might prevent any further extension of the French lines in Syria.

Had England joined hands with France at that moment it might have been possible to interfere in an efficient way with the somewhat ambitious schemes of the Germans. Unfortunately, this was not the case. The French Ambassador in Constantinople (then M. Paul Cambon) had to act alone. He therefore confined himself to asking for a sufficient compensation. Owing to his successful efforts France secured not only the railway from Damascus to Aleppo, including any future line which might connect that railway with the coast, but she was allowed to extend the Damascus-Aleppo line as far north as Birejik. Had the French financiers taken advantage of that very important concession they would have found themselves in an exceptionally strong position when the Bagdad line, after crossing the Taurus, would have found its route barred by a French railway already in operation. It was not the French Ambassador's fault that

the construction of the Aleppo-Birejik Railway was not pushed in time, and that the German company easily managed to take over that part of the concession in 1903.

It was only in 1902 that the policy of the French Government, in view of the imminent agreement between the Turks and the Anatolian company, over the Bagdad line, became definite. Nobody failed to perceive then that a misunderstanding had arisen between the French Foreign Office and the representatives of French interests in Constantinople. Since 1897, when an agreement had been arrived at between the Anatolian company and the French directors of the Smyrna-Kassaba line (which had been extended as far as Afium Karahissar on the German route), the French financiers had made up their mind to have a share in the Konieh-Bagdad line; they had taken part in the Turco-German negotiations of 1899, and the Ottoman Bank was to keep for itself at first 40 per cent., ultimately 30 per cent., of the capital in the new enterprise. According to M. André Chéradame, the French Ambassador, M. Constans, had gone so far as to promote French participation in the Bagdad affair without consulting his chief in Paris. On the 24th March, 1902, M. Delcassé, then Minister for Foreign Affairs, declared, however, that French participation to the Bagdad Railway would only be possible if two conditions were fulfilled: (1) the Russians must be allowed to take part in the enterprise, (2) the French must have in the construction, the working, and the direction of the enterprise "a part strictly equal to that of the most favoured foreign nation."

PARTICIPATION OF FRENCH FINANCE.

There is, of course, no object in concealing the fact that a large number of French financiers did not follow M. Delcassé's lead. When the Bagdad Railway Company was constituted on the 5th March, 1903, French participation amounted to 30 per cent., although the Council of Administration contained 11 Germans as against 8 Frenchmen, 4 Turks, 2 Swiss, 1 Austrian, and 1 Italian. This is not all. The Bagdad company has always found a strong support amongst the Parisian bankers, and there are reasons to believe that the unification of the Ottoman Debt in 1904 would have been a very difficult operation to perform had not M. Rouvier (who was Minister of Finance in 1902-3, and is still the head of a large French bank) backed up Herr von Gwinner, of the Deutsche Bank, with all his power. However, if some French statesmen showed a somewhat unfortunate inclination towards compromise, the French Foreign Office maintained M. Delcassé's decision with great firmness. The opportunity for proving it came in December, 1909. A few months before a syndicate had been formed in Glasgus with the object of constructing the section of the Bagdad line which extends from Bulgurlu to El Helif; it had been promoted by the Ottoman Bank in order to give effect to its participation in the railway, and included four French members. Questioned in the French Chamber on the 27th December, M. Pichon emphatically denied that the French Government had withdrawn its opposition to the scheme. To the two conditions mentioned by his predecessor, M. Delcassé, he now added a third one: England ought to be allowed to participate in the enterprise as well as Russia and France. On our side, he said, "we have always held the view that, if a call were to be made upon our financial credit, we ought, as far as possible, to act in the sense of the internationalisation of the line, and this view we continue to hold." After repeating that he made M. Delcassé's declarations his own, the Minister for Foreign Affairs added: "We continue to watch the negotiations which are being conducted on this subject. The House may rest assured that I have not failed to confer with the British Government, as well as with the Russian Government, on this question, and I have not failed to discuss it with the Germans when they mentioned the matter to me. In a word, we have not ceased to look for the possible settlement of this important question in an equitable co-operation on the part of the various States concerned in the enterprise, on the basis of a share for ourselves equal to that of the most favoured among the States." Lastly, M. Pichon declared on the 16th January, 1911, that even after the Potsdam negotiations he did not intend to depart from the policy already defined. This means that the Bagdad Railway Company—unless M. Cruppi should take a different line—is still to be excluded from the Paris Bourse until further notice.

Has that negative policy come to stay? Will M. Delcassé's declarations hold good for ever, or is there any prospect of a compromise which might put an end to the present deadlock? Had France only to consult her own interests there is not much doubt that she would soon come back to her policy of the nineties, which consisted in looking simply for a proper compensation in some other part of Turkey. It is indeed very difficult to see for what economic or political reasons the French Government

should in that case object to the quotation of the Bagdad Railway on the Paris Stock Exchange.

M. André Chéradame wrote seven or eight years ago that the Bagdad enterprise was bound to do much harm to French economic interests in Turkey. One cannot help thinking that he overstated his case. French interests in the Ottoman Empire are of course very considerable; according to M. Chéradame's estimate, French investments in Turkey amounted in 1902 to about 80,000,000*l.* A more recent estimate published last year showed that those investments had gone up in six or seven years to nearly 100,000,000*l.*, as compared with German interests valued at 36,000,000*l.* and British interests of about 30,000,000*l.* But out of those 100,000,000*l.*, 60,000,000*l.* are invested in State funds; they are not likely to suffer from the construction of the Bagdad Railway any more than the 4,000,000*l.* invested in land and real property, the 3,500,000*l.* invested in banks and credit institutes, or the 2,500,000*l.* invested in mines and industrial enterprises. As far as the railways are concerned (15,000,000*l.*), it is a well-established fact that since the Bagdad company bought the Aleppo-Birejik concession in 1903 and the Mersina-Adana line in 1906, it is not likely to interfere with the important French lines which are all located in Syria. Of course, German interests may, as a result of the new enterprise, follow in Smyrna a programme of extension which would endanger the prosperity of some French commercial firms. But this will simply compel some of those houses to change their antiquated methods.

From a purely political point of view, it is equally difficult to justify a policy of blind opposition on the part of France. Although the pan-Germanists were silly enough to shout at the top of their voices that Germany was going to swallow the Ottoman Empire, it seems rather unlikely that the Bagdad company, which is only German as far as the general management is concerned, which is using nothing but native labour and has undertaken not to bring a single German colonist to Turkey, which depends upon the good-will of the Turks as well as upon non-German investors, will do much more for Germany than other lines have done for France or England. At any rate, France has very few political interests outside Syria, and cannot be very much afraid of a line which is only touching Syria's borders. As for the constitution of the company, it has nothing in itself which should prevent the admission of the Bagdad Railway on the Paris Bourse; there are indeed a great number of companies which have free access to the Paris market, in spite of the fact that their French shareholders are not properly represented on the board of directors.

INTERNATIONAL CONSIDERATIONS.

The French Government has, therefore, no vital reasons, as far as France herself is concerned, to insist on the conditions laid down by M. Delcassé. But other considerations of an equally imperative nature are preventing the French Foreign Office from settling at once its differences with the Bagdad Railway Company. It is almost an open secret that M. Delcassé took up the position of 1902 in order to please Russia, who strongly objected to the building of the new line. Curiously enough the Russian Press had started a campaign against French participation in the scheme in January, 1902, two months before the famous declarations made in the French Parliament. The "Novoe Vremya," in an article written by M. Porochine, went as far as to hint that the continuation of the Franco-Russian Alliance largely depended upon the attitude France would adopt in the matter. Russian diplomacy interfered in the same way. In taking Russia's side in a question which was to her of a greater interest than to France, M. Delcassé and, after him, M. Pichon, did nothing but their obvious duty. At the present moment Russia seems, of course, inclined to take another view of the Bagdad Railway. But even if she ceases to oppose the scheme France is not prepared to follow in her steps unless she is satisfied that she can do so without hurting English interests. This is the most important feature of the present situation, and it would be a great pity if English opinion were not aware that to-day French policy is entirely directed in the Bagdad question by the Anglo-French understanding. It is, of course, a sad fact that up to now the co-operation of French and English private interests in Constantinople has been very imperfect. On the British side the complaint has justly been made that French financiers have too often chose to increase their personal profits by joining hands with England's opponents. French financiers retort that the representatives of British interests have several times acted against France; for instance, when the British president of the Ottoman Debt supported a campaign instituted against the Société des Tabacs ottomans, or when British financiers tried to secure the concession of the

Tripoli line, which had already been promised to France. The last Turkish loan episode, when the Ottoman Bank and the National Bank stood for a moment in direct opposition to each other, is another illustration of a state of things which made some people say that in Constantinople the *entente cordiale* was nothing but a name. But the temporary clash between a few individuals' interests—there are indeed many good reasons to believe that it is not going to last much longer—cannot exert the least influence on the policy of both Governments. When M. Pichon stated in the French Parliament a month ago that the *entente* between the French and the English Foreign Office had never been stronger, his declarations, for all those who knew the *dessous des cartes* had a very precise meaning. Exactly as England's diplomacy supported France during the Moroccan affair so the French Government has promised not to settle the Bagdad question until England has come with the Turks to an arrangement over Mesopotamia which she deems satisfactory. Such a promise is, of course, reciprocal; but as England's interests are much more vitally concerned with the Bagdad question than are those of France, it means rather more for England than for France. There is not the slightest doubt that M. Pichon's successor means to be true to that promise. For France the solution of the Bagdad question is to be an English one.

Fortunately the present conversations between the Turkish Government and the British Ambassador in Constantinople suggest that that English solution may be found in the very near future. As in 1909, when on England's advice the French Foreign Office asked from the Turks the concession of a line from Homs to Bagdad, conversations of an analogous kind are just taking place between the French and the Turkish Governments. It is too soon to make a forecast of what will be the Anglo-Turkish agreement regarding Mesopotamia and Koweit or to say whether the French Foreign Office will look for compensation in Albania, in North Anatolia, or anywhere else. One thing, however, is already certain. Whatever the future may have in store the French Government will look at the Bagdad question from a British as well as from a French point of view and support British claims in Mesopotamia not only by means of its diplomacy but, what is perhaps more efficient in the present case, with the whole financial power at its disposal.

[9590]

No. 167.

Sir E. Goschen to Sir Edward Grey.—(Received March 16.)

(No. 67.)

Sir,

Berlin, March 14, 1911.

WITH reference to my despatch No. 65 of the 10th March, 1911, relating to the Bagdad Railway question, I have the honour to report that the "Norddeutsche Allgemeine Zeitung," after referring in appreciative terms to the general tone of your recent statement in the House of Commons goes on to make the following observations with regard to Koweit and to the proposed 4 per cent. increase in the Turkish customs:—

"Quite apart lies the question of the proposed increase of Turkish customs dues, and the possible application of a surplus yield of duties to a kilometric guarantee on the Bagdad Railway. Nevertheless, we believe that in this question too, it will be possible to arrive at an understanding which shall fulfil the wishes of Turkey and also take into account English interests. In the concluding part of his speech, Sir Edward Grey reviewed the much discussed question of the relation of Koweit on the Persian Gulf to the Ottoman Empire. This is a matter which demands in the first place discussions with Turkey on questions of international law. We therefore prefer not to examine this point too closely, especially as it is not necessarily bound up with the question of the construction of the line down to the shores of the Gulf."

The "Norddeutsche" remarks in conclusion that your statement on the Bagdad Railway question signals a great advance on previous British methods, which had not always been free from a certain flavour of chicanery in the matter of this particular German enterprise, "which was destined to strengthen Turkey not only politically, but also commercially, and thereby benefit the whole civilised world."

I have, &c.

W. E. GOSCHEN.

[7880]

No. 168.

Foreign Office to India Office.

(Secret and Immediate.)

Foreign Office, March 16, 1911.

Sir,

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 3rd instant, containing the detailed observations of the Secretary of State for India on the Viceroy's telegram of the 23rd February respecting the position at Koweit; and I am further to acknowledge the receipt of copies of two telegrams, dated the 7th March, from the Viceroy on the subject of railway projects in Mesopotamia and south-west Persia.

With regard to a possible modification of the *status* of Koweit, I am to inform you that Sir E. Grey is in substantial agreement with the views of the Earl of Crewe, as stated in your letter of the 3rd March, with the exception of the first condition which you enumerate, viz., that 55 per cent. of capital and control in the Bagdad-Koweit section of the Bagdad Railway would be inadequate as a share for this country.

With regard to this suggestion, I am to point out that on the 31st May, 1910, Sir E. Grey wrote a letter to Sir H. Babington-Smith, in which the following passage occurs:—

"I think that the British share should be 55 per cent., and that we should construct the harbour at Koweit and have a large share in its subsequent control."

A copy of this letter was enclosed in the memorandum handed to the Ottoman Minister of Finance on the 29th July, 1910; and, in the same memorandum, certain alternative proposals were placed before His Excellency.

Sir E. Grey is of opinion that His Majesty's Government cannot now recede from what they have already stated to the Ottoman Government, and that 55 per cent. of capital and control would be the *maximum* share which they could now fairly claim, if the question were one of internationalisation under the concession of 1903.

From the terms of the written proposals of the Turkish Government, enclosed in Sir G. Lowther's despatch No. 139 of the 1st March (of which a copy is transmitted herewith), it would appear that what is contemplated by the Sublime Porte is that the 1903 convention, in so far as it applies to the sections in question, should be cancelled and that another arrangement should be substituted. It is, of course, clear that the consideration of these proposals must be largely dependent upon whether or not they have the concurrence of the German Government and, both from the failure of Sir G. Lowther to elicit any precise and definite information on the point, and from the semi-official statements which have appeared in the German press, it would seem that such is not indeed the case. Be this as it may, Sir E. Grey is of opinion that the attitude of His Majesty's Government in regard to the proposals now made should be carefully considered in all its bearings, with a view to sending a reasoned reply to the Ottoman Government without undue delay.

It is therefore essential to enquire whether, in the interests of British trade or on other grounds, a preponderating share of capital and control is a condition *sine qua non* of British participation in the enterprise. If a settlement on the lines desired should prove attainable in regard to Koweit, and if the 1903 concession is to be cancelled in so far as concerns the railway *beyond* Bagdad, and a formal international agreement substituted (such agreement stipulating, *inter alia*, that differential tariffs are absolutely excluded, and that the whole management of the line shall be conducted on approved methods), is it indispensable that British control, either in share-capital or on the Board, should be preponderating? Is it not possible that British control, in so far as concerns equality of treatment for British merchandise, could be rendered effective by stipulating in the contemplated international agreement or bi-lateral contract, that British assent to the desired increase in the customs is conditional upon the continued fulfilment of certain obligations by Turkey, and that default on her part would, *ipso facto*, determine the period of British assent to the enhanced customs tariff? Even if His Majesty's Government were to hesitate to exercise such a power, the knowledge that they possessed it would undoubtedly exercise a salutary effect; and, on the analogy of the 3 per cent. customs increase, agreed to for seven years in 1907, it might be provided that the 4 per cent. increase should be levied for only a fixed period, when its continuance for a further period would depend upon whether or not the Ottoman Government had fulfilled all obligations as to the exclusion of manipulation of rates.

If it is considered desirable that agreement should be reached as to British participation in the enterprise, it is important not to forego such participation on inadequate grounds. Sir E. Grey does not desire to express a final opinion as to the expediency of such participation until he has been further acquainted with the views of the Secretary of State for India and of the Board of Trade.

But, in the meantime, I am to place before you certain considerations in favour of and against British participation in a degree which is not preponderating,—the assumption in both contingencies being that satisfactory conditions, on the lines indicated, can be reached in regard to Koweit, and embodied in an agreement between His Majesty's Government and Turkey.

It may be urged that, in the absence of a definite agreement, conflicting interests of different nationalities in the Mesopotamian delta are likely to become more and not less acute as time goes on; that French financial interests are inclined to become restive at the prospect of French participation in the enterprise being postponed indefinitely; that in any case the Bagdad Railway will ultimately be completed; that the position of the Central Government in Turkey will then be consolidated and the Turkish power of aggression against Koweit correspondingly increased; that, if the Turkish Government are not now conciliated, the fulfilment of British treaty obligations towards the Sheikh of Koweit will become more onerous and difficult, while the protection of the Sheikh's date plantations in Turkish territory, whence he derives his principal revenue, will be a source of increasing friction and annoyance; and that British prestige would suffer, to the detriment of British commercial interests, if Great Britain had no share in the construction of the sections of the railway between Bagdad and the Persian Gulf.

On the other hand, it may be urged that it is perhaps to the advantage of British interests that the advent of the railway towards the Gulf should be postponed as long as possible; that the progress of the railway has hitherto been slow, and that much time may elapse before it reaches completion; that without the additional safeguard of British co-operation in those half-civilised regions the bonds of the railway company are not likely to find a ready market in the future any more than is believed to have been the case in the past; that, without British participation, the railway would probably stop at Bussorah, thus eliminating questions of some complexity as to jurisdiction and similar matters which might arise if the terminus were at Koweit, where it would almost be necessary to institute a British Court with jurisdiction over foreigners; that, apart altogether from an arrangement to secure British participation in the railway, the differences with Turkey in regard to Koweit and the littoral of the Persian Gulf might be adjusted as a condition of British assent to the customs increase, and to the continuance of the 3 per cent. increase on its expiry in April 1914; that, having regard to the general nature of British rights under the Capitulations, His Majesty's Government could not improbably prevent the manipulation of tariff rates as against British trade, though this is a technical matter as to which the advice of the Board of Trade is being requested; and that the large volume of British trade (estimated at nearly one million sterling a year) which now passes into western Persia by way of Bagdad, might be diverted to a less circuitous route, and thereby be protected against adverse treatment, if a concession were obtained for a railway from Khor Musa and Mohammerah to Khorremabad.

Sir E. Grey feels that the question of British participation in the Gulf sections of the Bagdad Railway without control is one which must be judged on its merits and apart from the general effect of non-participation on the international situation. If it were decided that, on the whole, it was not worth the while of His Majesty's Government to encourage British capital to participate in the railway without control, but that British opposition to the enterprise would be withdrawn when a satisfactory arrangement had been concluded as to questions at issue between Great Britain and Turkey on the littoral of the Persian Gulf, no foreign country would then have cause of complaint in regard to the British attitude.

If, on the other hand, it is considered desirable that Great Britain should participate, it will be necessary to decide whether it would be to their advantage to obtain a large or a small share in the undertaking; what steps should be taken to secure the retention of this share in British hands; and whether a Representative of His Majesty's Government should have a seat on the Board.

Sir E. Grey would be glad to have the views of the Secretary of State for India on these points.

The question of the kilometric guarantees is not alluded to in this letter, as it can well be reserved for subsequent consideration.

I am to express Sir E. Grey's full concurrence in the importance of avoiding any admissions with regard to the *status* of Koweit that may be used to our detriment should the present negotiations with Turkey prove abortive; and, for this reason, he is anxious that the reply to the Turkish proposals should be drawn up in close consultation with your Department.

Before leaving the subject of Koweit, I am to advert to the view expressed by the Marquess of Lansdowne, in his memorandum of the 21st March, 1902, that the British obligation to protect could not be interpreted as extending beyond Koweit "proper" to the "outskirts." While Sir E. Grey is in agreement with the view that the Sheikh's claims to Warba and Bubiyan might be upheld if it is really desirable to do so, he thinks that those claims could hardly be sustained with regard to Um Kasr, and certainly not as far south as Musulamiya Bay. If the terminus of the railway is at Koweit proper (Bunder Schweikh) the importance of Warba, Bubiyan and Um Kasr is largely reduced. In any case, if an agreement with Turkey is reached, it will be desirable to define precisely the limits of Koweit territory in order to avoid future friction; and I am to suggest that, with a view to expedition, it might be desirable for the Government of India to be consulted by telegraph in regard to those limits.

With reference to the concluding paragraph of your letter, I am to draw your attention to the desire expressed by the Ottoman Government to define the position of the two Powers in the Persian Gulf,—a desire which, if marked by sincerity, is clearly satisfactory.

Finally, I am to express Sir E. Grey's opinion that it is extremely desirable, if only for tactical reasons, to obtain a concession for a line from Khor Musa and Mohammerah to Khorremabad, especially as the concession need not involve more than an option to construct.

I am, &c.

LOUIS MALLET.

[7880]

No. 169.

Foreign Office to Board of Trade.

(Secret.)

Sir,

Foreign Office, March 16, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you, to be laid before the Board of Trade, the accompanying copies of correspondence between this department and the India Office on the subject of railway construction in Mesopotamia and, incidentally, in South-West Persia.*

Copies of the papers referred to in that correspondence are enclosed herewith.

Sir Edward Grey would be glad to be furnished with the detailed observations of the Board of Trade in regard to the points raised in this correspondence in so far as they affect British trade; in particular he would like information as to whether British-Indian trade would be adversely affected by the imposition of lighter transit rates on goods going towards the Persian Gulf than on goods going in the opposite direction. In this connection I am to draw the special attention of the Board to articles 24 and 25 of the "Cahier des Charges," and to invite comment as to how far those articles could be rendered prejudicial in their operation upon British trade.

Sir Edward Grey is of opinion that it is important to consider what steps could be devised to ensure equality of treatment for British commerce if a system of internationalisation were arranged for the Gulf sections of the Bagdad Railway such as would not allow a preponderating control in capital and on the Railway Board to this country. This point is raised, as you will perceive, in the letter of the 16th March from this department to the India Office; and before forming a final opinion on the matter, Sir Edward Grey would be glad of the technical and detailed advice of the Board of Trade. He would also welcome any further criticism on the proposals now made by the Turkish Government (see Sir G. Lowther's despatch No. 139 of the 1st March).

I am, &c.

W. LANGLEY.

* Nos. 132, 133, 134, 136, 143, 147, and 168; "Times" Extract, March 6, 1911; see also Bagdad Railway, "Cahier des Charges" (printed separately).

[9732]

No. 170.

Sir G. Lowther to Sir Edward Grey.—(Received March 17.)

(No. 156.)

Sir,

Constantinople, March 10, 1911.

I HAVE the honour to transmit herewith the translation of a speech delivered on the 5th instant in reply to the criticisms of Ismail Kemal Bey by the Grand Vizier on the subject of the liabilities of the Ottoman Government towards the Bagdad Railway Company.

You will observe that his Highness stated that, apart from the convention, i.e., of 1903, the company had a claim upon the excess revenues of the customs under the firman granting the concession, but that when the 3 per cent. increase was obtained, the company abandoned that claim. Now, when there was a question of obtaining an increase of 4 per cent. the same question presented itself.

Before transmitting to you the text of the speech, I thought it well to inquire of his Highness whether he had been properly reported, and invited him to inform me which was the firman that granted these revenues as guarantees.

At first his Highness was disposed to say that he could not carry the complicated details of the liabilities of the Ottoman Government in his head, but, after some pressure on my part, he stated that it was not a firman, but the convention of 1908 that set aside as a guarantee the excess revenues of the debt. I said I could not accept that interpretation, and then read him the article of the convention dealing with that point, showing him that, if the two paragraphs were read together, it was clear that these revenues were only set aside for the prolongation of the line as far as Halif. His Highness declined to accept this view, and insisted strongly that the "prolongement de la ligne de Bagdad" meant the whole railway.

For convenience of reference, I insert here the paragraph referred to:—

"Convention additionnelle, faisant suite à la convention du 20 février, 1318 (5 mars, 1903):—

"Le Gouvernement Impérial a décidé de prolonger la ligne de Bagdad depuis Boulgourlou jusqu'à la localité dite Helif, située aux abords de Mardine, et de construire un embranchement de Tel-Habesch à Alep. La longueur de cette ligne et de l'embranchement est d'environ 840 kilom.

"L'excédent des revenus concédés à la Dette publique ayant été affecté au prolongement de la ligne de Bagdad, la garantie pour ces 840 kilom. de ligne sera payée sur les excédents des revenus concédés à la Dette publique à raison de 11,000 fr. par kilomètre, en conformité de l'article 35 de la Convention de Bagdad."

I was, however, quite unable to move his Highness on this point, although I reminded him that last year (as reported in my despatch No. 276, Secret, of the 3rd May) the point of view of the Ottoman Government was that they were only bound by a moral and not a legal obligation to the continuation of the line. Hakki Pasha was quite unable to explain how, if he relied on the 1908 convention, it had, as he stated in his speech, been necessary to obtain from the railway an abandonment of their claim to the 3 per cent. surtax. The enigma may, however, be explained by the enclosures in this embassy's despatch No. 48 of the 5th February, 1902. Finally, his Highness said that the argument was not an important one, as there was no question of the 4 per cent. surtax being required for the construction of the Halif-Bagdad section. This, of course, is true, but only because Turkey is providing for ordinary expenditure out of loans.

I then explained to his Highness again at length that our consent to the increase of the 4 per cent. was dependent not only on the abandonment of the claim of the 4 per cent. by the Bagdad Railway, but to a general settlement of the railway question, which would not interfere with our existing rights in those regions, and, I added, that to avoid any misunderstanding I would place our views again on paper for Rifaat Pasha.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 170.

Extract from the "Turquie" of March 6, 1911.

LES DÉCLARATIONS DU GRAND VIZIR.

HAKKI PACHA, montant à la tribune, fait d'abord observer qu'il ne croit pas être obligé de répondre à ce qui concerne des faits qui se sont produits il y a vingt ou trente ans. "Ismail Kemal Bey dit qu'un concessionnaire avait demandé à construire le Chemin de Fer de Bagdad sans garantie kilométrique et qu'Abdul Hamid n'a pas accepté, ayant préféré accorder la concession aux Allemands. Cela, assurément, ne saurait affecter la responsabilité du Cabinet actuel. Seulement, je tiens à répondre sur deux points du discours de Kemal Bey sur les inconvénients des concessions avec garantie kilométrique et le Chemin de Fer de Bagdad."

Le Grand Vizir parle longuement des profits que retirent les pays des chemins de fer. "J'exagère, peut-être," dit-il, "mais je ne vois aucune condition comme nuisible quand il s'agit de doter le pays d'une voie ferrée. "Cela," dit-il, "ne signifie pas qu'il faut se plier à toutes les exigences des concessionnaires; mais je puis assurer que notre pays n'a pas subi des pertes du fait des garanties kilométriques."

"Il y a quatorze ans, si je ne me trompe pas, à cause de la famine en Anatolie 120,000 tonnes de céréales ont été envoyées par la voie du Chemin de Fer d'Angora. Pendant les deux années suivantes les envois de céréales continuaient. Mais ensuite l'exportation a commencé, et dans un an une somme de 4,000,000 de livres est entrée au vilayet d'Angora pour les marchandises exportées. En général, personne ne peut pas nier que les chemins de fer et les moyens de communication en général contribuent à l'augmentation des recettes de l'État. Sous le règne d'Abdul Aziz cet Empire était plus étendu. Mais aujourd'hui, après la perte de la Bulgarie, de la Roumélie orientale, de la Bosnie et de l'Herzégovine, les recettes de l'État sont supérieures de 45 pour cent de ce qu'elles étaient sous le règne d'Abdul Aziz."

LE CHEMIN DE FER DE BAGDAD.

"Quant," dit-il, "au Chemin de Bagdad, cette concession a été accordée, et nous nous trouvons devant un acte obligatoire pour l'État par une convention. En outre, comme vous savez, d'après le firman de la concession de cette ligne ferrée l'excédent des recettes douanières et celui d'une surtaxe doit être affecté à la construction du Chemin de Fer de Bagdad. Quand nous avons affecté la surtaxe de 3 pour cent à l'application des réformes dans les vilayets rouméliotes la société a renoncé au droit que lui accordait la convention. Maintenant pour la surtaxe de 4 pour cent la même question se pose, et c'est pour cette raison que l'augmentation n'a pu encore aboutir."

"Si l'on nous concède le 4 pour cent, la Compagnie du Chemin de Fer de Bagdad a le droit de demander que l'excédent des recettes soit affecté au prolongement de la ligne. Regardez la convention."

Ismail Kemal Bey.—Contractons une nouvelle convention.

Le Grand Vizir.—Si nous déchirons les conventions existantes je ne sais où cela pourra nous conduire. Mais je tiens à déclarer officiellement à cette tribune que nous respectons et nous respecterons les conventions existantes. L'État ne peut se soustraire à ses engagements. Peut-être s'est-il trompé; mais cela seulement lui doit servir de leçon. D'ailleurs, comment nous pourrions dire à la société que nous ne voulons pas de prolongement? Cela équivaudrait à la résiliation d'un accord existant.

"En outre, je ne comprends pas la raison d'arrêter la voie ferrée à Halif et de ne pas relier la capitale avec la ville de Bagdad. Est-ce pour ne pas payer annuellement la somme insignifiante de £ T. 300,000 qu'on n'en veut pas, quand il s'agit du raccordement de l'ancien royaume des Abassides et la Mésopotamie, qui nourrissait jadis 20,000,000 d'habitants."

"Déjà la ligne jusqu'à Halif (1,040 kilom.) est en construction, et il reste, jusqu'à Bagdad, 600 kilom. Moi, j'insiste pour la prolongation et je crois que la Chambre m'approuve." ("Oui.")

Ismail Kemal Bey.—Et au delà de Bagdad, que ferez-vous?

Hakki Pacha.—Si le Cabinet ne trouve pas une combinaison profitable à l'État, il n'acceptera pas la prolongation au delà de Bagdad. Vous verrez que nous ne voulons tromper personne, et nous n'avons aucun autre but que l'ottomanisme; et je suis sûr qu'ainsi une entente est possible. (Applaudissements prolongés.)

[9875]

No. 171.

MM. Timiriaseff and Zwegintzow to Mr. Jackson.—(Communicated by Mr. Jackson, March 17.)

Dear Sir,

March 10, 1911.

THE last time we were in London at our meeting with you on the 2nd December we agreed to inform each other of the progress in the transactions, relating to the transpersian railway up to time, when, after we had positive indications that both Governments, as well as that of India, were not hostile to the project, a new meeting would be found opportune.

In pursuance of that object the Russian consortium, parallel to studying the details and available statistical data of the question, enquired of the Russian Cabinet what would be its attitude towards the project.

At present we are able to inform you of the official answer of our Government, that took some little time to be forthcoming. Though the press had circulated it some weeks ago, our chairman, Engineer Bunge, received the document signed by the clerk of the Cabinet, but very much later.

That gentleman, acting by order of the Prime Minister, informs Mr. Bunge that the Cabinet is sympathetic to the idea of establishing a railway communication from Western Europe to India through Russia and Persia, and that it has nothing against the formation of a Société d'Études for that purpose; but that it must indicate that the execution of the project must conform itself to the economical interests of the Empire and not be prejudicial to the interests of the Exchequer. Such is the attitude of the Cabinet as regards the question in its substance; as to the details they will have to be the object of a special deliberation after the Société d'Études shall have submitted the result of its investigations.

In its very cautious answer the Cabinet has taken into consideration a hostile current to the project that manifested itself in certain Moscovite circles which tried to prove that the opening up of Persia to railway enterprises would oblige the Russian Government to admit the transit of goods thereto which in its turn would completely oust Russian trade in manufactured goods out of Persia. That opinion is not generally received in Moscow. For instance, M. Gootchcoff, the Lord Mayor of Moscow, and his brother, M. A. Gootchcoff, the Speaker of the Duma, sympathise with the project. In view of the Moscovite objections, the Cabinet instructed the President of the Board of Trade to call a meeting on the purpose of investigating to what extent the Russian commercial interests might be impaired by the construction of railways in Persia, and of finding out the best eventual compensations. The meeting took place in January, and the results were reported to the Cabinet by M. Timasheff.

The Cabinet, after mature deliberation of this report, pronounced itself, as above mentioned, favourable to the project.

It is perfectly evident that in its official answer, addressed to the promoters of the enterprise, the Cabinet could not give more substantial promises, and had to put back all details to the time when a Société d'Études would be able to submit a scheme, developed on sound bases. But in conversations with Messrs. Bunge and Petchcovsky, the Minister of Finance admitted that he saw no drawbacks to allotting the surplus of income on the Russian railway not coming from transit goods and travellers over the Russian railway system to and from India to a special fund that might serve as a guarantee to the debentures of the new line.

You would most kindly oblige us by forwarding informations as to how the project stands as regards the Governments, both of Great Britain and India, and giving us your opinion as to the best time for our representatives to come to London and renew our transactions.

Believe us, &c.

BASIL DE TIMIRIASEFF.
ALEX. ZWEGINTZOW.

[9729]

No. 172.

Sir V. Corbett to Sir Edward Grey.—(Received March 17.)

(No. 20.)

Sir,

Munich, March, 14, 1911.

WHEN the first reports of your speech in Parliament on the Bagdad Railway question were received in Germany, it was generally hailed by the press as being a

statesmanlike utterance, and the verdict of the "Norddeutsche Allgemeine Zeitung" that it was "a statement which could, without reservation, be greeted as highly gratifying" was quoted with approval in most of the South German papers.

Since then your treatment of the question of the Turkish tariff and of our relations to Koweit, and the leading article in the "Times" on the latter subject, have been made the subject of more critical commentary. Most of the papers here only reproduce extracts from the Berlin press generally arguing that Koweit is Turkish territory and that our rights there are in the nature only of claims and not established facts, but the "Frankfurter Zeitung" devotes a good deal of space to the subject which it discusses on its own account.

In its issue of the 10th instant, after praising your treatment of the relations between England and the Bagdad Company by putting them on the solid basis of existing facts, the writer goes on to say that as regards the tariff it may be supposed that the British Government did not propose to put pressure on Turkey in the matter of the railway, but rather that they would not withhold their consent to the raising of the tariff as soon as they were convinced that the extra revenues would not be used for further railway construction. There were hopes that you would soon receive the desired assurance. The Turkish Minister of Finance had explained in his budget speech that his Government was negotiating with the Bagdad Railway Company about the financial securities for an extension of the line on the understanding that the company renounced its rights to the revenues produced by the proposed raising of the tariff. The writer thought himself safe in saying that the company was inclined to meet the claims of the Government in this respect, and that in this case you would keep your word and no longer withhold from Turkey a financial resource so necessary to her if she was to succeed in her difficult tasks. There was a certain obscurity, he adds, due perhaps to the deficiencies of the telegraphic message, in the report of the last part of your speech; you spoke of the possibility of the line passing out of Turkish territory. In that case England would doubtless have to use all means in her power to preserve the *status quo* which had been endangered by others. But it was difficult to understand what you had meant by your allusions to the obligations of England to the Sheikh of Koweit. England and Turkey held different views on the position of Koweit, and it was natural for an English Foreign Minister to support the views of his countrymen. A compromise between the two Powers was presumably possible, particularly seeing that you had not identified yourself with the theory, so often repeated by the English press, that Koweit was an English protectorate. If England had really only the desire to fulfil certain obligations towards the sheikh, a way out of the difficulty might be found which would not violate the Turkish rights of sovereignty.

As far as the Bagdad Railway was concerned, it might be observed that the name of Koweit did not occur in the concession. The company was entitled to construct a line from Zobeir in the neighbourhood of Bussorah to some point on the Persian Gulf to be decided on between the Imperial Government and the holders of the concession. In consequence the harbour of Koweit, however many advantages it might have, was not the necessary terminus of the line.

I have, &c.

VINCENT CORBETT.

[9999]

No. 173.

Sir G. Louther to Sir Edward Grey.—(Received March 18.)

(No. 62.)

(Telegraphic.) P.

Constantinople, March 18, 1911.

BAGDAD Railway.

With reference to my despatch No. 100 of the 14th February, the Minister for Foreign Affairs to-day informed me that the Turkish Government were on the point of signing a convention for the completion of the Halif-Bagdad section on the following lines, having come to terms with the Bagdad Railway Company.

Company abandons right to build Bagdad to Persian Gulf section with proviso that no foreign Power shall have a larger share than Germany in the company to be formed for its construction.

Company to construct port at Alexandretta and build branch line to Osmanieh without kilometric guarantees. Company abandons all claim to proceeds of 4 per cent. monopolies, &c., and the surplus of revenues now assigned for the sections up to Halif to suffice for the section to Bagdad (see my despatch No. 134 of the 28th February).

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2 P

As the convention involved no fresh demand on the Treasury, his Excellency added, the convention would not require to be submitted to the Chamber. This is a straining, if not a contravention, of the Concession Law, inasmuch as it amounts to accepting the German interpretation of the convention of 1908 (see my despatch No. 156 of the 10th March).

[9984]

No. 174.

Sir G. Buchanan to Sir Edward Grey.—(Received March 19.)

(No. 58.)

(Telegraphic.) P.

St. Petersburg, March 19, 1911.

PERSIAN railways.

Your telegram No. 87 of the 14th March. I had a conversation to-day with M. Stolypin, and left with him a memorandum on the subject of the Mohammerah-Khorembad railway project. I had already discussed the question a few days ago with the Assistant Minister of Foreign Affairs, who had prepared M. Stolypin for what I had to say.

M. Stolypin began by saying that Russia had no legal grounds for protesting against the scheme, since the proposed line would run through the neutral zone, but that, nevertheless, the scheme was one to which she strongly objected. A protest would at once be lodged by the merchants of Moscow, who would attack the Government for allowing seaborne goods to be brought right up to the Russian sphere by rail, and would say that England's action in constructing this line was an ill-natured one, which they had not expected from a friend.

I replied by reminding M. Stolypin that we did not like the linking-up of the Bagdad Railway with the North Persian railway system, and yet, when M. Sazonow had explained to us the reasons which rendered Russia's consent to this scheme imperative, we had, out of regard for Russian interests, raised no objections to it. We trusted that Russia would now show no less regard for our interests. The state of public feeling in England with regard to these railways had been manifested in the recent debate in the House of Commons on the subject, and if we were to be able to compete with Germany on equal terms the construction of the line now under discussion was essential to us. If this line were not constructed, Germany would be in a position to differentiate against British goods on both the Bagdad and Khanikin lines. It was scarcely possible that Russia should contemplate shutting out British trade from Western Persia, while she was opening that region to the Germans.

The justice of my arguments was admitted by M. Stolypin, but at the same time his Excellency was obviously preoccupied by anticipations of the opposition which the realisation of the Mohammerah-Khorembad scheme is likely to arouse in Russia. He asked me whether the British goods imported into Persia were of the same nature as those imported from Russia. I repeated my former statement, that our only desire at present was to obtain an option for the construction of this railway, and that, before proceeding with the actual work, we would thoroughly discuss all questions of the nature indicated with the Russian Government. M. Stolypin then said that his position was rendered very difficult by the illness of M. Sazonow, but that he hoped that by the month of May the latter would be well enough to proceed to England.

I urged M. Stolypin to consent to our asking the Persian Government at once for this concession, while postponing discussion of the details of the scheme till M. Sazonow was well enough to do business with me or to proceed to London to talk the matter over with you there.

In conclusion, M. Stolypin said that he would discuss the question with the Minister of Commerce, and hoped in about a week to be able to let me know the result.

[10004]

No. 175.

Sir G. Louther to Sir Edward Grey.—(Received March 20.)

(No. 157.)

Sir,

Pera, March 11, 1911.

WITH reference to my despatch No. 154 of the 10th instant, I have the honour to transmit herewith translation of a leading article from the "Tanin" of to-day's date, which discusses the relations between Turkey, Germany, and Great Britain in a somewhat more moderate tone than has recently been the case.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 175.

Extract from the "Tanin" of March 11, 1911.

(Translation.)

TURKEY, ENGLAND, AND GERMANY

IT seems likely that the article in which the semi-official German paper, the "Norddeutsche Allgemeine Zeitung," says that, as Turkey and the Bagdad Railway Company are bound by a contract neither of the parties can discuss the subject with a third party on its own initiative, will give rise to discussion, and the "Times" article which we reproduce to-day may be taken as the preliminary.

It is natural that the Ottomans, as the most interested party, should watch this discussion with great attention. We admit that it is rather strange that a matter affecting our country should be the subject of discussion and dispute between two foreign Governments. Yet we must be thankful for the blessings conferred on us by the constitutional régime, which enables us to interfere as much as we do in the matter and to raise our voices on the subject; for under the old régime, this matter, like all those affecting Turkey's very life, would have been arranged without our knowledge, and doubtless to our disadvantage. The existence of an Ottoman Government conscious of its interests and rights and resolved to defend them naturally directs the discussion into another channel.

It can never be a cause of satisfaction to us that the Bagdad Railway question should cause rivalry and hostility between England and Germany. Without attributing that fact to any lofty feeling of humanity or desire for peace, we can say that we deprecate dissension between these two Powers because we should doubtless be the greatest sufferers. Turkey's duty is therefore to prevent the shock of contact between two opposing interests in the Persian Gulf, and that is why we maintained that we ought to come to an understanding with England and considered this discussion to be advantageous.

It is satisfactory to the statesmen of neither country, we believe, that a Persian Gulf question which is opposed to the friendly relations existing between England and Turkey should always exist in a vague and threatening form. Whenever Irak is referred to a number of embarrassing questions come up. Why should we not consider these doubtful points in friendly discussion and try to find some means of removing them? When we hear England talk about English commercial interests and rights in the Persian Gulf we are naturally displeased and anxious, not knowing clearly what the material and real form of these interests is or will be. It was clearly necessary to have an exchange of views in order to avoid even greater misunderstandings.

The statements in the German paper referred to above contain nothing that would prevent an Anglo-Turkish discussion of the Persian Gulf questions, and we do not think the German Minister for Foreign Affairs has such an idea. We make this explanation because the "Times" shows overmuch suspicion. Nevertheless, it must be admitted that just as it is right and legitimate for England and Turkey to discuss any questions they like connected with either the Bagdad Railway or the Persian Gulf, so it is right and legitimate for Germany to demand that the existing rights of Germans should not be prejudiced by such a discussion. On that point we admit that the German paper is right, for Turkey is bound to the Bagdad Railway Company by an agreement, the conditions of which cannot be changed by Turkey as a result of

discussion with another Government. It is, of course, necessary to ask for the views and obtain the consent of the company holding the concession.

The Ottoman Government continues the discussion with England, finds out what the English claims consist of, and decides what is to be done if some of them are admitted to be legitimate and to deserve a hearing. If the measures to be taken prejudice the rights of the Bagdad Railway Company the Government of course obtains the company's consent; but if there is no point affecting the company it is obvious that no one has a right to object.

From the desire evinced to continue this discussion, we understand that Turkey's wish to enter into negotiations with England is received with satisfaction in that country. This may be taken as showing how advantageous it is to take up an enterprising line in our foreign policy. In order to solve political difficulties, it is naturally better to take up a definite line and try to prevent difficulties rather than to wait until matters become a "question." In our foreign policy in general, and in the Persian Gulf question in particular, our interest lies not in setting rivals by the ears, but in uniting them as far as is compatible with Turkish interests, and it is naturally better for us to think out means to this end and to prepare them.

[10007]

No. 176.

Sir G. Louther to Sir Edward Grey.—(Received March 20.)

(No. 160.)

Sir,

Pera, March 13, 1911.

WITH reference to your telegram No. 63 of the 11th instant and previous correspondence on the subject of the Bagdad Railway negotiations, I have the honour to transmit to you herewith copy of the "notice" which I have communicated to the Sublime Porte relative to the attitude of His Majesty's Government with regard to the 4 per cent. increase of the customs duties.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 176.

Note communicated to Sublime Porte by Sir G. Louther.

HIS Britannic Majesty's Embassy lost no time in forwarding to His Majesty's Government the memorandum handed to His Majesty's Ambassador by his Excellency the Minister for Foreign Affairs on the 1st March, 1911, containing certain proposals regarding the completion of the Bagdad-Persian Gulf Railway. These proposals will receive the careful consideration of His Majesty's Government, and a reply will be sent in due course.

In the meantime, His Majesty's Embassy desires, under instructions from its Government, to call attention to the fact that paragraph 2 of the memorandum referred to, which deals with one of the conditions of the assent of His Majesty's Government to the increase of the customs duties by 4 per cent., gives a statement of the conditions laid down by His Majesty's Government which does not correspond with those which have at various times been explained to the Sublime Porte.

The point of view always maintained by His Majesty's Government has been that they would be unable to consent to the proposed increase for a fixed period if such increase were to be devoted, by setting free other affected revenues, to facilitating the prolongation of a railway which could not but have a prejudicial effect upon long established British commercial interests in Mesopotamia.

These views were clearly set forth in a conversation which his Excellency the Minister for Foreign Affairs had with His Majesty's Principal Secretary of State for Foreign Affairs in London on the 19th May last, and on the 20th July they were again explained at the Foreign Office to his Highness the Ottoman Ambassador in London, who was on that occasion accompanied by his Excellency the Minister of Finance.

Subsequently these views were set forth at greater length in a memorandum which was placed in the hands of his Excellency the Minister of Finance when his Excellency was in London.

The Sublime Porte will doubtless also remember that His Majesty's Government, in the course of the pourparlers regarding the question of consenting to the additional

imposition of the 4 per cent., expressed the desire, in the interests of the internal development of Egypt, that the Ottoman Government should arrange to remove the restrictions on the borrowing powers of the Government of His Highness the Khedive imposed by the Imperial firman of the 7th August, 1879 (19th Chaban, 1296), and thus revert to the financial *status quo ante* of Egypt as indicated by the Imperial firman of the 25th September, 1872 (22nd Redjeb, 1289), and that of the 8th June, 1873 (13th Rabi-Akher, 1290).

[10016]

No. 177.

Sir G. Louther to Sir Edward Grey.—(Received March 20.)

(No. 169.)

Sir,

Pera, March 15, 1911.

WITH reference to my despatch No. 156 of the 10th instant, I have the honour to transmit to you herewith a translation of an article by Hussein Djahid in the "Tanin" on the Bagdad Railway.

The writer says that Turkey will pay no attention to the claim over Koweit, made by the "Times" on behalf of England, and states that Turkey does not need Koweit harbour in order to build the Bagdad Railway and to carry the line to the shores of the Persian Gulf. If England raises difficulties against the construction of the terminus at Koweit, that will not prevent the construction of the line.

The "Times," he goes on to say, seems to think that the invitation to England to enter into negotiations was dictated by fear or necessity. This is far from being the case, and Turkey will expect some return for the courtesy and friendship shown to England. But if Turkish friendship is rejected, then Turkey need no longer consider British commercial interests. In any case, it cannot be believed that England will be guilty of such injustice, in spite of the advice of the "Times," as to use her consent to the increase of the customs as a weapon in the Bagdad Railway question.

In connection with this last point, I enclose an article from the "Jeune Turc," by a German Socialist student of economy, which contends that the increase of the customs dues to 15 per cent. *ad valorem* will be an economic blunder on the part of Turkey.

There is no doubt that there is considerable logic in this point of view, as an increase of the customs duty to 15 per cent. on such primary necessities as, e.g., sugar, would constitute an all but unbearable burden on the lower classes, whose general standard of living is very low.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 177.

Extract from the "Tanin" of March 14, 1911.

(Translation.)

THE BAGDAD RAILWAY.

WE are always talking about this question, but we consider it our duty, at the risk of boring our readers, to follow every phase of the question, on account of its importance with regard both to Irak and to our foreign policy.

Our prophecy that the Bagdad Railway question would give rise to a dispute between the German and British presses has not been falsified. The "Times" article we reproduce to-day is written with the heat—nay, the bitterness—caused by this dispute. Let the English papers and the German press quarrel as much as they like, but it should not be forgotten when the English press is replying to the German papers, which are walking hand in hand with Ottoman interests on this question, that contempt for the Ottoman Government and indifference to Ottoman public opinion will cause sorrow and astonishment in Turkey.

It is not our fault that the German papers have said that England can take part in the negotiations as conciliator, so why should the English press talk in a manner wounding to our *amour-propre*, our rights, and our feelings? The English, German, and French, or any other press must understand that to-day the Ottomans have a

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human heart, and that that heart beats with feelings of the loftiest and purest patriotism. This nation may be perhaps crushed, but it can never, even for a day, bow to the insults of foreigners. We beg them to remember this, and to give up the tone of contempt and insult—for we understand insult and store it up in our hearts. If we make this slight retort to-day, we may retort still more to-morrow, a fact that would be taken into account. A country should think of its policy, not for a few years, but for a long future.

We shall pay no attention to the claim made by the "Times" over Koweit in the name of England, that it is not and never can be, considered as Ottoman territory, for we have already proved by quotations from Lord Curzon's book that the Sheikh of Koweit is subject to Turkey. While the rights of the Ottoman Government are so clear, to try to sweep them away with a stroke of the pen is to say: "Say what you like; we are stronger than you, and in that strength we will deny your rights." And there can be no discussion while one of the parties relies on force.

The Bagdad Railway question is not the Koweit question. England and Turkey have undertaken by mutual agreement to maintain the *status quo* in Koweit. Well, let the question stay at that. We do not need Koweit harbour in order to build the Bagdad Railway and to carry the Bagdad-Bussorah section to the shores of the Persian Gulf. If the terminus is not at Koweit, it can be somewhere else on the sea; so if England refuses to recognise our right, and raises difficulties against having the terminus at Koweit, that cannot prevent our constructing the line.

This will not do us much harm; but what will England gain? She does not come as conciliator into the negotiations now beginning with regard to the Persian Gulf and the Bagdad Railway; but she must also remember that she does not come in as a conqueror whose will is law. It is our first desire to be on friendly terms with England, and that is why we took into consideration England's commercial interests in Irak, and her position in the Persian Gulf, and invited her to negotiate, in order to avoid misunderstandings and to lay the foundations of a sound and lasting friendship. Our object was to get a clear idea of England's point of view and to reconcile English and Ottoman interests, and to do nothing to wound a Government whose friendship we desired. To judge by the language of the "Times," one would think we had taken this course either from fear or from necessity; it holds such language and makes such demands as might be heard, not when friendly negotiations are being entered into, but when a victor is issuing commands to the utterly vanquished. But we were influenced neither by fear nor by necessity; it should be known that Ottoman patriotism and *amour-propre* could not bear such a thing.

According to the "Times," the Bagdad Railway question affects English interests in two ways: (1) the protection of British commercial interests in the points through which the line passes; (2) the maintenance of British pre-eminence in the Persian Gulf. This means that is what the English want. If they prevent the line from going to Koweit, and take up a not very friendly attitude towards us, will they gain what they want? If we fail to persuade the German company to hand over the Bagdad-Bussorah section to an international company and we have it made by the German company, what will British commerce gain? It is known that she would gain nothing. But is it so difficult to estimate what she would lose? If the railway, instead of terminating at Koweit, ends at some other point on the sea, will no harm be done to England's preferential position in the Gulf?

They say that in return for the construction of the Bagdad-Khanikin branch line by the Bagdad Railway Company England can make other railways in Irak and connect them with their railways in Persia. How can they hope to get such a concession from us, after putting such difficulties in our way and acting in such an unfriendly manner? Are we so simple? Will not the insult and the disregard for our rights rankle in our hearts?

On what does England rely, in making these demands? If the weapon she wields is Koweit, it is useless, for we shall complete the matter even without Koweit. We shall naturally expect some return for the courtesy and friendship we have shown England; and if she raises difficulties over the Koweit question, rejects our friendship, and compels us to build the railway in some other fashion, there will of course be no further necessity for us to think of British commercial interests.

In spite of the advice given by the "Times" that the customs increase should be used as a weapon, we could not believe that England could be guilty of such flagrant injustice, or would commit an evil action that would redound so little to the credit of a country like England. In granting the increase England would openly show friendly feelings; if the increase is not granted this Government will not be

crushed—it will suffer some inconvenience, but it will build the Bagdad-Bussorah line nevertheless; but when that is accomplished we cannot now determine what will happen to British commerce in Irak.

Enclosure 2 in No. 177.

Extract from the "Jeune Turc."

DROITS DE DOUANE ET DÉFICIT.

JUSQU'À l'année 1907, le tarif de douane de l'Empire ottoman était de 8 pour cent *ad valorem*, il est maintenant de 11 pour cent et on se propose de l'élever à 15 pour cent.

Cela veut dire que dans l'espace de très peu d'années le taux du tarif douanier aura presque doublé.

Il est hors de doute qu'une semblable mesure ne peut rester sans avoir une grave influence sur la vie économique du pays; c'est pourquoi elle doit être très sérieusement étudiée aussi bien au point de vue financier qu'au point de vue économique.

Le Ministre des Finances, Djavid Bey, a plusieurs fois déclaré et répété à la Chambre qu'il est partisan du système du libre échange. Dans ce pays, où l'industrie n'est encore qu'à l'état embryonnaire, il ne peut être contesté que la seule politique douanière devrait être celle de la libre importation.

Néanmoins, le Ministre des Finances se fait le défenseur du tarif douanier et même il en propose l'augmentation; évidemment il se met là en contradiction avec ses propres principes; mais il se console en passant que—c'est du moins son avis—que si le taux était augmenté jusqu'à 15 pour cent, il serait tout de même encore assez bas. Cela nous rappelle la jeune fille qui faisait toujours tant de cas de sa virginité jusqu'à ce qu'elle finit un beau jour par mettre au monde un enfant. "Comment donc, lui demanda quelqu'un, est-il vrai que vous avez mis au monde un bébé? Oui, répondit-elle, c'est vrai, mais, ajouta-t-elle toute honteuse, ce n'est qu'un tout petit, tout petit bébé."

Dans le cas qui nous préoccupe il ne s'agit pas même d'un enfant tout petit; la grosse douanière de l'État a pris des dimensions si fortes qu'on peut s'attendre au moins à des jumeaux ou trijumeaux.

Un tarif douanier de 15 pour cent sur la valeur constitue déjà un taux de protectionnisme très élevé.

Établissons des comparaisons avec d'autres États.

Les États-Unis de l'Amérique du Nord sont le pays dans lequel le système protectionniste a les formes les plus dures. Certains articles y sont grevés de droits d'entrée exorbitants; d'autre part, il y a aussi toute une série de marchandises exemptes de tout droit d'entrée dont l'importation est tout à fait libre. En Turquie cas exemptions n'existent pas; 45 pour cent de la totalité des marchandises importées en Amérique, donc presque la moitié, ne sont pas du tout grevées de droits douaniers, tandis qu'en Turquie les objets de toute nature sans exception sont soumis au paiement de 11 pour cent sur leur valeur à titre de droit d'entrée, et d'après la proposition du Ministre des Finances ce tarif sera porté à 15 pour cent.

Quel est le tarif prohibitif américain, si on en fait le calcul *ad valorem* à l'instar de la Turquie?

En 1907, la valeur relative de la totalité des recettes douanières par rapport à l'importation totale était de 23.3 pour cent de la valeur de celle-ci. La différence entre ce chiffre et 15 pour cent est sans doute assez considérable, mais elle est loin d'être aussi grande qu'on ne croit généralement ici. Et il faut retenir que les États-Unis constituent le pays des droits d'entrée protectionnistes les plus élevés. Les tarifs douaniers y sont si chers, que le pays entier s'y oppose dans ce moment, les fabricants tout aussi bien que les ouvriers et les paysans. Donc même si 15 pour cent sur la valeur de la totalité de l'importation ne représentent point le maximum des tarifs douaniers en vigueur, ils constituent tout de même un tarif protectionniste très élevé.

Mais prenons comme exemple un autre pays soumis au régime protectionniste, l'Allemagne.

En Allemagne, il y a un grand nombre de marchandises importantes qui paient moins de 15 pour cent à titre de droits d'entrée. Prenons-en quelques-unes à tour de rôle d'après la statistique officielle pour 1909. Il y a à remarquer qu'en Allemagne comme dans les États-Unis, les droits douaniers étant perçus d'après le poids, les

chiffres du calcul de la valeur des marchandises importées et des droits perçus ont été officiellement établis.

Voici les recettes douanières perçues en Allemagne en 1909 :—

	Pour cent.
Beurre et margarine	9
Boeufs et moutons	10
Bois pour construction, bois de chauffage	7
Chevaux	8
Ferries	14
Fer brut	12
Fil de coton	7
Fruits oléagineux	8
Soieries	7
Lainages	14
Machines et véhicules	6
Harengs	12
Fruits	8
Oufs et volaille	2
Articles en bois	8
Fil de laine	1

Il y a en outre un grand nombre de produits dont l'importation en Allemagne est exempte de tout droit d'entrée.

Quelle est en Allemagne la valeur relative des recettes douanières par rapport à la totalité de l'importation? Comme les droits d'entrée ne sont pas calculés d'après la valeur, mais d'après le poids, ces chiffres varient d'une année à l'autre d'après les prix respectifs des marchandises; il y a donc lieu d'indiquer les chiffres officiels de plusieurs années.

Voici donc les chiffres officiels qui indiquent les taux d'entrée par rapport à la valeur de l'importation totale :—

	Pour cent.
En 1906	8
" 1907	8
" 1908	9
" 1909	9

Bien que l'Allemagne soit un pays protectionniste, le chiffre moyen de la totalité de ses droits d'entrée est d'ores et déjà au-dessous du chiffre perçu par la Turquie. Néanmoins, le Ministre ottoman des Finances n'hésite pas à augmenter le tarif douanier.

Un tarif *ad valorem* de 15 pour cent est de 6 pour cent plus élevé que le droit moyen actuellement en vigueur en Allemagne. Si en Allemagne, on s'avisait d'augmenter les droits d'entrée jusqu'à proportion de 15 pour cent, cette augmentation ferait monter de deux tiers le tarif en vigueur. Outre que le pays se soulèverait contre une mesure pareille, tout le monde y compris le Ministre des Finances, serait obligé de tenir compte d'une réduction importante de la consommation, qui s'ensuivrait. On n'oserait pas décréter cette augmentation de peur de provoquer une crise commerciale et un déficit budgétaire. En Allemagne on se casse la tête pour créer de nouvelles ressources pour l'État. Si ce résultat pouvait être atteint sans façon par l'augmentation des droits d'entrée, le Ministre allemand des Finances et les autres sommités dans le domaine des finances n'auraient qu'à se voiler la face tout honteux et suivre la méthode très simple du Ministre des Finances. Cependant, les hommes politiques allemands ont fini par comprendre que dans une certaine mesure, les impôts et droits douaniers susceptibles de ligoter le développement économique affaiblissent l'État et minent ses ressources financières au lieu de les développer.

En Turquie, par contre, on n'a pas d'hésitation à augmenter le tarif douanier jusqu'à 15 pour cent, sans même tenir compte d'une diminution considérable de la consommation. Il est évident que la majoration des ressources qu'on attend de cette opération est fort incertaine. C'est en se basant sur ces chiffres problématiques qu'on espère équilibrer le budget; et fort de cet espoir incertain, on veut faire des emprunts qui aggraveront davantage la dépendance financière de l'État.

Il y a plus encore; tandis que l'Allemagne est un pays riche, la Turquie n'est qu'un pays pauvre. La population de la Turquie est réduite à compter pour chaque para, toute hausse des prix l'oblige à réduire la consommation. Ne perdons pas de vue non plus que l'Allemagne a une industrie vigoureuse, qui est à même de remplacer l'étranger par sa propre production ou de le forcer par voie de concurrence à réduire les prix, tandis que la population de la Turquie se trouve dans la nécessité de payer les prix que l'étranger lui impose.

En outre, en Allemagne les droits d'entrée sont perçus sur le poids, en Turquie sur la valeur. Or, les taux *ad valorem* ont la tendance d'augmenter au fur et à mesure que les prix des marchandises augmentent. Ce fait et la question du tarif douanier différentiel sont d'une importance si manifeste qu'il y a lieu de traiter ces questions dans un article spécial.—PARVUS.

No. 178.

[10017]

Sir G. Louther to Sir Edward Grey.—(Received March 20.)

(No. 170.)

Sir,

I HAVE the honour to forward herewith a despatch from His Majesty's vice-consul at Adana reporting on the delay which has occurred in the construction of the Bagdad Railway line near Adana.

I have, &c.
GERARD LOWTHER

Enclosure in No. 178.

Vice-Consul Smith to Sir G. Louther.

Adana, March 6, 1911.

Sir,

I HAVE the honour to report that during the first few days of this month, owing to the Seihun River being in flood, a considerable amount of damage has been done to the works which are being carried on for the construction of the Bagdad Railway bridge over the river at Adana. The floods were not so severe as last year and, except to the bridge, little damage has been done.

In order to transport material to the east bank of the river, for the construction of the sections to Missis and beyond, a temporary bridge carrying the line had been built, supported by two stone piers and a large number of wooden trestles. Fifty yards above this the permanent bridge (iron girder supported by concrete piers) was in the course of construction, and the work was well advanced when the flood came. The temporary bridge has now been entirely swept away, and part of the frame-work of the permanent bridge was also carried away. The damage done is said to amount to from 4,000*l.* to 8,000*l.*, and it is expected that the destruction of the bridge will considerably delay work on the line to the east of the river. There is now no means of transporting material to that side except by the town bridge, a detour of about 2½ miles, by which cart transport alone is possible.

It is said that the engineers do not propose to reconstruct the temporary bridge, but to proceed as fast as possible with the construction of the permanent one. I hope in a short time to be able to report more fully on the progress made in the construction of the railway.

I have, &c.
IAN M. SMITH.

No. 179.

[9984]

Sir Edward Grey to Sir G. Buchanan.

(No. 93.)

(Telegraphic.) P.

Foreign Office, March 20, 1911.

I ENTIRELY approve your language as reported in your telegram No. 58. The President of the Council might be informed that primarily our object is to retain our present position, and to secure advantages for access of British trade to Tehran equal to those assured to German trade by the Potsdam agreement, and this we must find some way of accomplishing. The proposed Mohammerah-Khoremsabad line would not in all probability increase the competition of British goods; it would merely divert existing traffic, which already goes to Persia by Bagdad and Kermanshah. It would be as well to impress this fact on M. Stolypin, as its import is apparently not appreciated at St. Petersburg.

[1773]

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[9875]

No. 180.

Foreign Office to India Office.

(Confidential.)

Sir,

Foreign Office, March 20, 1911.

WITH reference to the letter of the 29th September, 1910, from this Office, relative to the proposed construction, under Anglo-Russian auspices, of a railway connecting Europe with India by way of Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a letter addressed by two members of the Russian group interested in the project to Mr. Huth Jackson,* by whom it has been communicated to this Office.

This letter sets forth the attitude of the Russian Government towards the scheme, as officially communicated to the promoters, and I am to ask that Sir E. Grey may be made acquainted as soon as possible with the views of Viscount Morley, and of the Government of India, on the subject in order that he may be enabled to reply to Mr. Jackson without undue delay.

I am to add an expression of Sir E. Grey's hope that it may be found possible for His Majesty's Government to express themselves as favourably towards the scheme as the Russian Government have done.

I am, &c.

LOUIS MALLET.

[10411]

No. 181.

Enclosures in India Office Letter.—(Received at Foreign Office, March 21.)

Enclosure 1.

Lieutenant-Colonel Cox to Government of India.

(Confidential.)

Bushire, January 29, 1911.

I HAVE the honour to forward, for the information of the Government of India, copies of correspondence which has passed between the political agent, Koweit, and myself, in connection with an apprehended attack on Jahara and Koweit Town by Saadoon Pasha and a force of Muntafik.

2. When Captain Shakespear's letter of the 18th January reached me, His Majesty's ship "Philomel" was at my disposal in connection with the presence of a large force of Kashgai and other armed tribesmen in Bushire, and his Excellency the Nizam-es-Sultaneh and the Sowlet-ed-Dowleh having just departed, I was in a position to ask Captain Gurner to proceed to Koweit, both in order that I might be kept in wireless touch and that the presence of His Majesty's ship might help to influence the situation in the direction of peace.

3. When sending my telegram on the 28th instant, I had in my mind the parallel situation which existed in 1901 when Koweit was apprehending an attack by "Ibn Rashid;" on which occasion the Government of India gave my predecessor discretion, if the situation indicated it, to have a warning intimation sent to the Shammar chief (*vide* Foreign Department telegram of the 12th April, 1901).

4. As Captain Shakespear's report took some days in transit, I thought it advisable to await a message from His Majesty's ship "Philomel" after reaching Koweit before troubling the Government of India by telegram, and now the reassuring communication received this morning enables me to deal with the subject by post, for the present, at all events.

Enclosure 2.

Captain Shakespear to Lieutenant-Colonel Cox.

(Confidential.)

Koweit, January 18, 1911.

I HAVE the honour to invite a reference to the various extracts in my last few weekly diaries reporting the movements of the raiders of Sheikh Saadoon of the

* No. 171.

Muntafik and Sheikh Mubarek, and in this connection to forward Arabic copies of certain correspondence with which the Sheikh of Koweit has furnished me, and which I regret I am unable to have translated before the closing of the post.

2. The fighting foreshadowed in my diaries is a continuation of the quarrel which formed the subject of reports dated the 9th and 30th March, 25th May, 12th July, and the 28th September, 1910. Sheikh Mubarek, for his part, has not done much beyond keeping up a small mobile force near Jahara as a safeguard, whilst during my recent short tour northwards I learned that Sheikh Saadoon was seriously contemplating an expedition which even included a possible attack on Koweit itself. My authority for this is a conversation which I had on the 12th January with one of Saadoon's near relatives at Zubair, who asked me very pointedly whether the British Government would interfere to support Mubarek in the event of the Muntafik actually attacking Jahara or Koweit, though Saadoon was prepared to guarantee that no harm would result to the British representative or British life and property. I contented myself with an evasive answer to the effect that until the event occurred I was not in a position to guess what action His Majesty's Government might or might not take, but I ventured to remind my questioner that it was not so very many years ago that the near approach to Koweit of Ibn Rashid's forces and the reported presence of large bodies of Turkish troops near Safwan had brought British men-of-war into the harbour of Koweit. I also explained that the British Government was largely concerned with Koweit as a port to which much British trade found its way, and therefore I failed to see how they could disregard entirely a deliberate attempt on the town which must certainly affect those commercial interests. At the time I was not at all certain that these questions were not prompted by Turkish intrigue, and consequently only recalled past history, leaving my interrogator to draw his own inferences. At the same time I counselled overtures of peace as being less damaging to both parties, and the general advantages of a return to the friendly relations which up to a year ago always existed between Saadoon and Mubarek.

3. I saw the sheikh yesterday, and he informed me that the Vali of Bussorah had addressed him on the subject of making peace with Saadoon and had offered himself as an intermediary. I enclose copies of the vali's letter to the sheikh and the sheikh's reply. The latter purports to contain a history of the quarrel, and though correct in the main facts is to some extent coloured, as might be expected in an account given by one only of the parties. After the dispatch of his reply the sheikh received further news from his spies of Saadoon's advance with a large force to within striking distance of Jahara, and he then dispatched his telegram to the vali, of which also I have the honour to enclose a copy. It will be seen from these two papers that the sheikh's attitude is correct, and leaves no room for a plea that he is the aggressor.

4. This morning while I was drafting this letter the sheikh came to see me, and said that, though he suspected it before, he received last night reliable evidence from Bagdad that the whole of the present aggression by Saadoon had the countenance of his Excellency Nazim Pasha, and is directed towards worrying Mubarek into a request for the intervention of the Turkish authorities in the quarrel, and so forcing an acknowledgment of their right to settle his differences with others. After much pressing the sheikh gave me the name of his informant, begging me to keep it secret. It will suffice here to note that this information came from a member of Nazim Pasha's council, in whom he reposes considerable trust, and who I know to be an old and valued friend of Sheikh Mubarek. The suggestion is supported by the fact that, though the Turkish authorities have no cause to love the Muntafik tribes, from whom they have been unable for more than the last twenty years to extract any revenue either by force or by guile, Saadoon was for some time in the summer or autumn an honoured guest in Nazim Pasha's palace at Bagdad; and, further, his own relative told me in Zubair that Saadoon had settled his differences with the Turks during his visit to Bagdad, though at what price he did not say.

5. Eventually the sheikh, who was undoubtedly anxious at the turn affairs have assumed, requested me to explain the position to you, and, if possible, endeavour to secure the presence of one of His Majesty's ships in the harbour for a short time. The sheikh went on to say that he would not have made such a request but for the information just received from Bagdad. He was quite prepared to meet Saadoon and his people in the usual Arab way, and felt confident of defeating him signally, but it was evident now that Saadoon's boldness and the Bussorah vali's efforts to act as a mediator were all a part of the unending Turkish intrigue to induce him by pressure of one kind or another to open a door to Turkish intervention. He argues that the presence of a British war-ship in Kathama Bay would ensure the safety of Jahara, and so of Koweit, by showing unmistakably that the British Government were aware of the intrigue, and

did not intend to permit Bedouin desert raids to take the form of assaults on coast towns.

6. Though the sheikh affects confidence in his own men, I doubt whether he really feels it, and I am certain from outside information that they will be no match for even an inferior number of the resolute Muntafik Arabs. Sheikh Mubarek's force consists of Nejada and townsmen who have no objections to the part of soldiers so long as that service means rations and a steady monthly wage without work, but for actual fighting they have no stomach. These are reinforced by large bands of Bedouin, whose sole creed in fighting is plunder with safety and a whole skin, and should they again encounter the Muntafik they will probably either desert in a body to the other side or leave the field at the earliest opportunity on their mounts. On military grounds, therefore, I think the presence of a ship-of-war would certainly check Saadoon's aspirations to a raid on Jahara or Koweit, and as soon as her arrival is reported to him it is probable Saadoon's tribesmen would be dismissed, or betake themselves to raiding further inland.

7. If the sheikh's information regarding Turkish connivance in the raid is correct, and my own opinion is that it is so, the presence of a man-of-war will have a most salutary effect, and it is possible may even cause the Turkish Government to show its hand by a protest at her presence in Kathama Bay.

8. I need scarcely repeat how nearly every one of Sheikh Mubarek's difficulties has its origin in Turkish intrigue, or how incidents trivial in themselves and even unconnected with him are utilised to provoke and worry him, whilst at the same time a panacea for all these ills is offered in his acknowledgment of Turkish sovereignty either by inscribing himself or his sons as Turkish subjects or by accepting a Turkish subsidy. The whole course of his relations with Turkish officials during the last few years shows that these intrigues will not cease until the Turkish Government is made to realise in the plainest manner that His Majesty's Government are aware of its aims and will not permit them, as disturbing their own relations with the Sheikh of Koweit. On this ground alone I would solicit your support to the dispatch of one of His Majesty's ships to Koweit for a short time (if one can be spared), even if the possibility of a raid on the town did not exist, but such being the case the sheikh's request becomes even more urgent, and I would beg that it may be considered as favourably as possible.

Enclosure 3.

The Vali of Bussorah to Sheikh Mubarek Al Subah.

2nd Muharrum, 1329 (January 4, 1911).

AFTER presenting compliments, let it not be hidden from you, in view of the preparation made for the execution of a military engagement between you and Saadoon Pasha, I wrote to the latter to prevent the occurrence of such an incident, and I have now received a reply, in which he says that there is absolutely no truth in what has been rumoured about the preparation made by him and that he has not moved from his place up to now, but that when he proceeded to Bagdad to see his Excellency Nazim Pasha you dispatched your son Jaber with your tribesmen, who plundered from him about 4,000 camels and that he prays for their restoration, and will, at all times, be prepared for a reconciliation. In consideration of this his writing, it is understood that he has a desire for peace and for the removal of difficulties. Now, it is left to you to say if you have an idea, and if you will agree to that please let me know, and I will endeavour in what is necessary, or you may nominate a person in whom you have confidence to be on your behalf and let me know his name. As to Saadoon Pasha I will write to him also to choose a man on his behalf, and when the two men appear before me, I shall, God willing, understand the object of both the parties, and endeavour to bring about peace and to remove these differences according to the usages of the tribesmen. I am waiting (to hear) the result from you.

And salaams to you with God's peace and blessing.

Enclosure 4.

Sheikh Mubarek of Koweit to the Vali of Bussorah.

(Translation.)

(Telegraphic.)

(After compliments.)

Bussorah, January 16, 1911.

Saadoon had advised your Honour that he had made no preparation and not moved from his place. I represented to you what was necessary in writing, and explained his falsehood. Now he has reached the south-west of Safwan, which is within my territory, and approached my tribesmen. The state of the tribesmen is known to your Honour; when antagonists approach (each other) it is inevitable that a collision will take place between them. When I heard of his coming near, I did, in obedience to your Honour's orders, prevent my tribesmen from taking action against him and stopped them from approaching him, so that nothing whatever may take place before intimation reaches your Honour and a reply is received. Now I have represented the circumstance to you, so that you may devise the necessary schemes for his returning to his own place. And if he remained in this place and anything took place I shall not be responsible.

Enclosure 5.

Sheikh Mubarek Al Subah to the Vali of Bussorah.

15th Muharrum, 1329 (January 17, 1911).

(After compliments.)

AFTER offering you my best respect I beg to state that I had the honour to receive your communication, dated the 2nd Muharrum, 1329, in which you suggested all what was good and advisable. I thank you for your good wishes and wise suggestions. You had stated that a reply has been received from Saadoon that he has not moved from his place and has not made the least preparation. It is incumbent on him to tell you the truth. As to what he has stated to you that he is in his place, Mayaah, and in the palace in the bush at Abughar; (I would state that) he is not in his place, but that he has told a lie. I regret that he who belongs to a noble family tells a lie, but I say that it is his characteristic which he developed. May God guide him to improve himself. It is necessary for him to avail himself of this happy time and of the honest Government officials who endeavour in the interests of the nation and the Government. May God help us in giving full satisfaction to the officials of our Government.

I, your sincere friend, will, God willing, follow a line of conduct which may be most peaceful and truthful, maintain justice and will not, inshallah, deal with the people except according to truth, justice and courtesy. The family of whether Saadoon himself or all the sons of Rashid are dear to me up to now and will remain so afterwards, inshallah, because we were on the most cordial terms with them since ancient times, from the days of Rashid till that of his sons, Mansoor Pasha and Nazir Pasha and their sons who are now alive. And Saadoon does not deny this, and will also not deny my kindness to himself particularly. This his dealing with us does not hurt us, but will hurt his name and honour. The causes which created this ill-feeling will be represented to your Honour according to justice and with proofs. In the first instance Osman-al-Rashid, a merchant of Koweit, sent his employes to the tribesmen with rice, clothes and coffee to be sold to the tribesmen who are on the side of Nejd—from Shammur to Umtheir—and Osman's employes sold their goods and purchased camels and sheep and proceeded to our side. All the tribesmen, both Dhafir and others, were our friends; and Saadoon was like a son of mine in my estimation, and was particularly good with me while he was not good to all the world.

Ibn-i-Hallaf, the sheikh of the Saeed tribesmen, seized from the employes of the said Osman Rashid the camels and sheep which they had bought together with the furnitures of their houses as well as the sheep belonging to the people of Jaharah. They informed that these belonged to the people of Koweit and explained this fact to him. He asked them to bring him a letter from me, as was the ordinary procedure with him and the other headmen of the tribesmen; whenever there is any plundered property belonging to my subjects with them I write to them and they return the same. Ibn Hallaf and his tribesmen, the Saeed, all took refuge with Saadoon, because the Sheikh of the Dhafir, Hamoodas-Soweith, had banished them and gave Saadoon a share of the camels and sheep belonging to the people of Koweit. I wrote to Ibn Hallaf

to return them; but both he and Saadoon were inspired with covetousness. At the same time, Seyyid Khalaf Nakibzadah happened to be with Saadoon on a visit, because he is a great friend of his; and Saadoon started to proceed on a journey with the Saeeds and a party of the Muntafik herdsmen, and halted near my tribesmen. My son Jaber happened to be with the tribesmen on an excursion to pass the spring, and Saadoon warned the tribesmen who were with him, saying that they have reached near the Koweit tribesmen, and as they were thieves and would rob the furniture of the houses, he wished to prevent them from doing so. Seyyid Khalaf left Saadoon and came to my son Jaber, whom he informed of the statement of Saadoon. He (Jaber) thanked him, and he also received a letter from Saadoon containing expressions of friendship and kind regards. A day after some one came to my son Jaber from tribesmen who were at a distance of eight hours' journey, informing him that they were attacked by Saadoon and plundered. On learning this Jaber told Seyyid Khalaf—

"How is this?—were these messages from Saadoon a trick by which we were duped through you? We will have to go to him and recover the loot from him."

Seyyid Khalaf assured him that he himself would return and demand the plundered property from him. When Seyyid Khalaf met Saadoon he (the Seyyid) told him that he (Saadoon) acted very badly and that he (Saadoon) had both deceived him and them, that he should now return the loot, otherwise it would be recovered forcibly. He replied:—

"It does not matter; the plundered persons should come to me and I will return them (their property)."

My son Jaber sent the plundered persons, and they received something which is not worth mentioning in comparison to what had been robbed. Friendly correspondence continued between me and Saadoon for the restoration of our plundered property which remained with him, and the banishment of the Saeeds or the return of the plundered property which was with them. Saadoon was inspired with the baseness which is a characteristic of his, and we were waiting for the Saeeds to separate from Saadoon; otherwise as regards Saadoon and all Saadoon's tribesmen we shall, God willing, not agree that the least thing should be done by us against them, and we will not oppose them purposely at present and in future. My son Jaber and Abdul Aziz al-Saood learnt that on his return Saadoon was plundered by the Ibn Hazzall and his tribesmen of Anezah when he attacked them, and that he returned and went to his palace at Abughar, and that the Saeeds separated from him. They, Jaber and Abdul Aziz Saood, availed themselves of this opportunity, and when they reached near the Arabs they were met at daybreak by their own spies, who informed them that the Arabs were Bedouin herdsmen and that there was a tent with them, which, as they had understood, belonged to Saadoon. The spies also stated that according to what they saw there was Saadoon with the Arabs. They (Jaber and Abdul Aziz) abstained from attacking the Arabs in the morning owing to the fact that Saadoon was with them and waited till sunrise. They sent off certain horsemen to fire at the Arabs in order that they may attract a horseman from Saadoon's party, and they may warn him. They pitched their tents and left their camels and horses to graze, and they did not take the offensive by way of evincing some politeness. Seeing this negligence on their part Saadoon collected the horsemen of Adh Dhafir who were with him as well as the mounted herdsmen of Muntafik, attacked their animals and plundered them in the pastures. This is the fact of this case, and I have truthfully represented to you what has happened. Now, God willing, I will take no action against Saadoon, but against the tribesmen who adopted the path of villainy and who are not from amongst his dependents the Muntafik. Whenever we find any opportunity we will punish him for the sake of the security of the roads and of the persons who carry on business from Khamisiyah to Zubair, Koweit and Al Hasa. Now, in compliance with your command I will make no preparation against Saadoon, and so long as he is remaining with the bandits I will avoid them until he succeeds in separating from them. It is incumbent on him to abide by your Honour's commands and deal with you honestly. According to what he had mentioned to your Honour he had not left his place, but he has now halted in our territories and awaits an opportunity to attack my tribesmen. His place is Al Mayaah in the district of Muntafik, and his palace is in the bush at Abughar. He should return to his place in the same way as he advised your Honour "that he was in his place and has not moved therefrom." The Muntafik tribesmen, who are herdsmen and who leave Gharraf, Hartha and Bussorah itself for Shamiyeh with the purpose of grazing their animals have been

deceived by him, and have been forcibly collected by him in order that he may support himself by them. He has deceived them that they would be plundered if they separate. They have been safe all these years and we are guarding them, and they were not the victims of the tribesmen from the first. A month and a half ago I wrote to Nazir-al-Aseimi, who is a resident of Zubair, and to whom the herdsmen refer for the satisfaction of their requirements, that he should inform them that they are safe to go to their former habitats and disperse for the purpose of feeding their animals, and that I shall have nothing with Saadoon except what is good; but that what he did to us did not hurt us, but injure himself and his name. As to Saadoon's situation and what he does there is no need for me to represent them to you, as your Honour will learn (them) from official archives. With regard to Saadoon's claim for the camels of the Dhafir tribesmen which were plundered by the sheikh of the Umtheir tribesmen and his companions, this is a false argument. Firstly, the Umtheir and Dhafir were on these terms from ancient time, and so were the other tribesmen. Further, the Dhafir and Umtheir are united tribesmen and under their Amirs, and are not connected with us or with Saadoon. Now, as regards above-mentioned plundered property which he undertook to restore in a friendly way he should, according to the usage of the Arabs, give it up if he wishes to efface his disgrace and be free from this shame, and he should remain with me on the old terms. But if he is actuated by meanness, we are able to do without the property, and this fact will remain in the memory of the Arabs and he will be isolated from us. As to your Honour's order that I should nominate some one on my behalf, I have (now) represented to you the facts and choose your own justice, so that Saadoon may not cause mischief in this side. I have addressed you in order to explain the circumstances, and hope that your kind attention will continue. In any case, order and decision will rest with your Honour.

Enclosure 6.

Lieutenant-Colonel Cox to Commander of His Majesty's ship "Foz," at Jask.

(Telegraphic.) P. *Bushire, January 27, 1911.*
Please send following to political agent, Koweit, through "Philomel":—

"Firstly.—Please telegraph briefly whether there is any change in position since your No. C. 1 was written.

Secondly.—If advisable, and if Government were to agree to a warning being sent to Saadoon to effect that attack on port of Koweit would not be permitted, could you get it delivered to him from Koweit, or would it be simpler through Bussorah?"

Enclosure 7.

Commander of His Majesty's ship "Foz," at Jask, to Lieutenant-Colonel Cox.

(Telegraphic.) P. *Jask, January 28, 1911.*
Following from Shakespear to resident:—

"Your telegram, 27th.

"Saadoon has written for peace sending letter by Bussorah merchants, and Mubarek has replied to-day accepting terms on condition two Dhafir sheikhs come in. Mubarek considers peace arrangeable on these terms. Saadoon, however, still near Safwan, and I think that, though attacks now improbable, chance of peaceful solution will be improved by 'Philomel' remaining week longer if can be spared."

"Philomel" can remain indefinitely.

Enclosure 8.

Lieutenant-Colonel Cox to Commander of His Majesty's ship "Fox," at Jask.

(Telegraphic.) P.

Bushire, January 29, 1911.

Kindly wire following to Shakespear, Koweit, through "Philomel":—

"Your 80 (28).

"Senior naval officer can spare 'Philomel' for the present."

[10491]

No. 182.

Note communicated by Tewfik Pasha, March 21, 1911.

LE Gouvernement ottoman avait accordé à la Compagnie du Chemin de Fer de Bagdad la concession des lignes suivantes: (1) Konia-Bagdad; (2) Bagdad-Bassora; (3) Bassora, par Zubeir, à un point sur le Golfe Persique; (4) droit d'établir un port à Bassora et un autre sur le point terminus de la ligne aboutissant au Golfe Persique; (5) le privilège de tout embranchement partant de la voie principale et débouchant sur la mer, dans la zone comprise entre Mersine et Tripoli de Syrie.

A la garantie kilométrique du Chemin de Fer de Bagdad furent affectés des revenus spéciaux, c'est-à-dire les excédents des revenus concédés à la Dette publique et certaines dîmes. Cette obligation formelle contractée vis-à-vis de la compagnie plaçait le Gouvernement ottoman dans une situation difficile au point de vue de la réalisation de certains de ses projets. On connaît les péripéties des négociations relatives à la majoration douanière de 4 pour cent. Le Gouvernement de Sa Majesté britannique posa comme condition principale, pour y consentir, que les sommes provenant de cette majoration ne seraient ni directement ni indirectement affectées aux garanties kilométriques du Chemin de Fer de Bagdad.

D'autre part, l'exploitation de la ligne par les Allemands avait causé des appréhensions dans l'opinion publique anglaise, qui croyait y voir un préjudice pour les intérêts commerciaux britanniques.

En présence de la nécessité de la majoration douanière de 4 pour cent, et vu le désir du Gouvernement Impérial d'arriver à une entente qui permettrait l'achèvement de la ligne intégrale Bagdad-Golfe Persique en satisfaisant tous les intérêts commerciaux en jeu, la Sublime Porte a pris certains arrangements et décisions qui sont appelés, croit-il, à résoudre les difficultés existantes.

Voici les termes de l'accord intervenu entre le Gouvernement Impérial et la Compagnie du Chemin de Fer de Bagdad:—

La compagnie consent à renoncer au surplus éventuel de la majoration de 4 pour cent, ainsi qu'aux recettes provenant de la précédente majoration de 3 pour cent et aux revenus de ténétu (patente). Elle renonce en même temps à sa concession du tronçon Bagdad-Golfe Persique, ainsi qu'à sa concession d'un port à Bassora et d'un autre dans le Golfe Persique en faveur de la nouvelle compagnie ottomane dans laquelle la Compagnie de Bagdad consent à être en minorité vis-à-vis des capitaux ottomans. Néanmoins, elle tient à ce que sa participation soit égale à celle du capital d'une nation tierce non ottomane. Elle se réserve le droit de s'entendre avec la nouvelle compagnie ottomane ou avec l'Etat ottoman pour demander une indemnité au sujet de la perte subie par elle à la suite de sa renonciation au tronçon Bagdad-Golfe Persique, dont la construction est plus facile et moins coûteuse que le restant de la ligne de Bagdad. Enfin, la compagnie déclare être prête à se contenter, pour l'achèvement de la ligne jusqu'à Bagdad, des revenus dont elle jouit actuellement, c'est-à-dire le surplus actuel des revenus concédés et des dîmes qui lui sont déjà affectées. Conformément à sa concession, elle construira également la petite ligne Osmanie-Alexandrette et un port dans cette dernière ville. Cette ligne est sans garantie kilométrique.

Moyennant ces diverses renonciations de la compagnie le Gouvernement ottoman peut traiter avec le Gouvernement britannique pour trouver, quant au tronçon débouchant au Golfe Persique, une solution pouvant satisfaire les deux parties.

[13894]

No. 184*.

Sir G. Barclay to Sir Edward Grey.—(Received March 21.)

(No. 90.)

(Telegraphic.) P.

RAILWAYS.

Tehran, March 21, 1911.

I am informed by Mr. Greenway that he broached the subject of railways in Persia during an audience he had of the Regent yesterday.

Nasr-ul-Mulk appeared to favour the idea of railway construction and expressed the opinion that England and Russia might agree upon a joint scheme. Work would be carried out in portions, in measure as financial aid was forthcoming, and priority being given to the most important sections.

In the course of conversation Mr. Greenway informed Nasr-ul-Mulk that the advantages which would result from a railway from Mohammerah northwards had greatly struck him on his journey to Tehran, and he intimated that, if proper security were found, he would be ready not only to arrange to find the capital necessary for such a line but also for the lines Bunder Abbas-Kerwan and Bunder Abbas-Shiraz. Nasr-ul-Mulk believed that the Mohammerah scheme was the one of most pressing importance, and he thought that with some corresponding advance from the north this line might be the first sections to be commenced.

I am not in a position to judge how far Nasr-ul-Mulk's remarks to Mr. Greenway should be taken seriously, pending receipt of your instructions (see your telegrams Nos. 52 and 54 of the 14th and 21st February respectively) to approach the Persian Government on the subject of railways.

In bringing up the subject Mr. Greenway made it clear to the Regent that he was not acting under encouragement from His Majesty's Government or from His Majesty's Legation.

[1773]

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Un point essentiel qui mérite d'être signalé dans cet arrangement avec la Compagnie du Chemin de Fer de Bagdad, c'est qu'il n'accorde non seulement aucune nouvelle concession à la compagnie, mais réalise, au contraire, la renonciation par celle-ci à une partie de sa concession globale, concession dont le caractère définitif et la validité ne comporte aucun doute.

*Ambassade Impériale de Turquie, Londres,
le 21 mars, 1911.*

[10459]

No. 183.

Sir G. Buchanan to Sir Edward Grey.—(Received March 21.)

(No. 62.)

(Telegraphic.) P.

St. Petersburg, March 21, 1911.

PERSIAN railways.

In the account of my conversation on Sunday with M. Stolypin, which was given in my telegram No. 58, I omitted to mention that I pointed out to his Excellency on that occasion that the construction of a line from Mohammerah to Khorembad would not mean any appreciable increase in our trade, but only its diversion from the Bagdad to the Mohammerah route.

There now seems to be no doubt that M. Stolypin has fallen from office, and his departure will render more difficult the solution of this and other pending questions, and will be a great loss to us. I will speak again to M. Nératoff on the subject of this railway on the first opportunity that presents itself.

[10460]

No. 184.

Sir G. Louther to Sir Edward Grey.—(Received March 21.)

(No. 63.)

(Telegraphic.) R.

Pera, March 21, 1911.

MY immediately preceding telegram.

Three conventions were signed to-day.

First relates to building Halif-Bagdad section, to be completed in five years.

Second relates to building branch from Osmanieh to Alexandretta.

Third cedes to Haidar Pasha Port Company construction and working of port of Alexandretta.

A declaration is made by which German company abandons right to Bagdad-Persian Gulf section, but maintains right to share in new company equal to that of any other foreign Power, and reserves to itself right to settle with company amount of indemnity for loss arising out of working expenses guaranteed on that section, and renounces right to ports at Bussorah and Gulf terminus.

[9933]

No. 185.

Foreign Office to Admiralty.

Sir,

Foreign Office, March 21, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith copy of a telegram addressed by the Government of India to the India Office,* and communicated to this department by the latter, relative to reported attempts by the German Government to secure a lien on Ras Tanura, a promontory lying to the south of Musulamiya Bay, in Turkish territory, with a view to the construction there of a terminus for the Bagdad Railway.

I am to state that Sir E. Grey would be glad to receive, with as little delay as may be convenient, any information which the Lords Commissioners of the Admiralty may possess relative to this place, with particular reference to its fitness for the site of a railway terminus.

I am, &c.

LOUIS MALLET.

* Government of India to India Office, Telegraphic, March 10, 1911.

[1773]

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[10573]

No. 186.

Sir G. Buchanan to Sir Edward Grey.—(Received March 22.)

(No. 65.)

(Telegraphic.) P.

St. Petersburg, March 22, 1911.

PERSIAN railways. My telegram No. 62 of the 21st March.

In conversation with Acting Minister of Foreign Affairs to-day I again explained our position with regard to the Mohammerah-Khorremabad scheme.

M. Neratow put forward as a personal suggestion the idea that the northern terminus of the line might be placed further south than Khorremabad, at some point further removed from the frontier of the Russian zone. He thought that Russia's consent to the scheme would be facilitated by such an arrangement. In reply to this suggestion, I argued that it was hardly fair for Russia to prevent British goods from approaching even the borders of her zone when she was about to admit German goods to the very heart of it. M. Neratow replied that, as His Majesty's Government only desired at present to secure an option for construction, they might, as a first step, adopt the course which he had suggested.

I then proceeded to explain that the line now projected would only serve to divert the goods which already passed into Persia by the Bagdad route. In reply to an enquiry from M. Neratow as to the use which British trade made at present of the route by the Karun, I said that I was not in a position to answer this question off-hand.

He then asked whether, in the event of Russia consenting to our scheme, His Majesty's Government would be willing to encourage British capital to participate in the construction of railways in North Persia. I reminded him that we had already offered to do so as regards a line from Julfa southwards, but he said that what he had in his mind was the line from Enzeli to Tehran. I suggested that the representative of the English syndicate, who at the present moment was in negotiation with the Minister of Finance for the construction of the Julfa-Tabreez line, might perhaps be induced to interest his principals in the Enzeli-Tehran scheme.

In asking me to submit these two suggestions to you, M. Neratow begged me to point out that they were of a purely personal character.

[10463]

No. 187.

Sir Edward Grey to Sir G. Barclay.

(No. 84.)

(Telegraphic.) P.

Foreign Office, March 22, 1911.

RAILWAYS in Persia.

Are you still of view that we should be well advised not to remind Regent of undertaking made by Shah?

[10827]

No. 188.

Sir Edward Grey to Sir G. Buchanan.

(No. 87.)

Sir,

Foreign Office, March 22, 1911.

I SPOKE to Count Benckendorff to-day on the subject of Persian railways, telling him generally what you have already urged on M. Stolypin.

I explained that a concession for a railway from Mohammerah was required to protect our interests. Of course, if we were quite sure that British trade would be at no disadvantage on the Bagdad line, the railway from Mohammerah might never be made, unless private enterprise was willing to undertake its construction.

I reminded Count Benckendorff that M. Sazonow had promised at Potsdam that a connection would be provided between the Bagdad Railway and Tehran. The Russian Council of Ministers had at once pointed out that, if access was to be given for German competition to Tehran, Russia must have a railway from Enzeli, which would enable Russian trade to compete with German trade. This seemed so vital to M. Sazonow that he had even asked for British capital to help in making the line, in order to protect Russian trade. It was just as vital for us to be sure of some means which would enable British trade to compete with German trade in the same market. M. Stolypin had admitted the force of your arguments, but had said that Russian feeling

[10682]

No. 188*.

Sir G. Barclay to Sir Edward Grey.—(Received March 23.)

(No. 91.)

(Telegraphic.) P.

Tehran, March 23, 1911.

RAILWAYS. Reference to your telegram No. 87 of the 14th March to St. Petersburg.

M. Poklewski has telegraphed to his Government, who enquired his views on the subject of the proposed application for a concession for the Mohammerah Railway, that it would be difficult to object to the line in the face of the negotiations which took place between the two Governments in 1908. Russian Minister has further pointed out that railway construction in Persia cannot be indefinitely hung up, and has suggested that simultaneous construction of a railway from the north might mitigate the injurious effect that proposed line would have on Russian trade.

[10802]

No. 189*.

Sir G. Barclay to Sir Edward Grey.—(Received March 24.)

(No. 92.)

(Telegraphic.) P.

Tehran, March 24, 1911.

RAILWAYS.

In reply to your telegram No. 84 of the 22nd March, I have the honour to state that there appears to me to be no reason why we should further postpone the reminder, but I think that, as the Persian Government is now constitutional, the communication in question should be addressed to Minister for Foreign Affairs rather than to Nasr-ul-Mulk.

I should also like to approach the Regent privately first to ascertain his Highness's views as to the form the note should take, and thus ensure, as far as possible, that it should be received in a reasonable spirit. I would propose at the same time to assure the Regent that in calling attention of Persian Government to the Shah's rescript His Majesty's Government have no intention of obstructing railway construction in Persia, and that they hope to follow up the reminder with proposals shortly.

Indications are not wanting to show that Persians are now aware of the necessity for the construction of railways, but the fear that a railway concession may eventually afford a pretext for foreign intervention haunts their minds. We must therefore, I think, be prepared for a rejoinder pointing to internationalisation when we bring up the subject of railways.

could never be reconciled to our proposal. With regard to this, I pointed out that at Potsdam M. Sazonow had obtained certain advantages for Russia, but these advantages could not be had without corresponding disadvantages.

Count Benckendorff asked me how we could suffer if there were equal rights for all trade on the Bagdad Railway.

I replied that supposing, for the sake of argument, there was a certain class of cotton goods, made chiefly in Germany and exported to Persia, which competed with a certain class of woollen goods, made chiefly in England, and also exported to Persia: the rates on the Bagdad Railway might be arranged so that they were low on the cotton goods and high on the woollen goods. It might be contended, if we complained, that the rates on the woollen goods made in Germany were just as high as those on the woollen goods made in England, while the rates on the cotton goods made in England were just as low as those on the cotton goods made in Germany; and that there was, therefore, no breach of the conditions of the Bagdad Railway concession. But, in practice, there would be great damage done to British trade.

I am, &c.

E. GREY.

[10716]

No. 189.

Board of Trade to Foreign Office.—(Received March 24.)

Sir,

Board of Trade, March 22, 1911.

I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 16th March, and enclosures, with regard to the Persian Gulf section of the Bagdad Railway and other matters relating thereto.

With reference thereto, I am to say that the Board of Trade are examining with care the various points specified in your letter. In view, however, of the grave and complex considerations, both political and commercial, involved in the whole problem, Mr. Buxton doubts if these particular points can be usefully or adequately dealt with apart from the general question of policy, and he is therefore disposed to suggest, for Sir Edward Grey's consideration, that, instead of dealing with the matter by inter-departmental correspondence, it would be advantageous at the present stage if an informal conference could take place between heads of departments, at which the whole matter could be discussed.

I am, &c.

H. LLEWELLYN SMITH.

[10573]

No. 190.

Sir Edward Grey to Sir G. Buchanan.

(No. 99.)

(Telegraphic.) P.

Foreign Office, March 24, 1911.

AM I to understand from your telegram No. 65 that we may apply for an option to construct a railway as far as Khorembad, as far as the Russian Government are concerned, if we undertake not to proceed to construct until we have come to an agreement with them on points at issue? As far as I am aware there is no suitable place between Dizful and Khorembad where a line could stop, and we should not be obtaining an undue advantage, as the Russian Government contemplate the construction of a line from north to south.

I would give every encouragement to a proposal on the lines of Lord Grimthorpe's negotiations, of which I have been informed, on the understanding that Russia would not oppose a line to Khorembad, which the Russian Government or the Persian Government might eventually link up with Tehran; and there could be no objection on our part if the Russian Government prefer to construct a line from Enzeli to Tehran, and can interest British capital in the scheme.

Imports from the United Kingdom into Arabistan for the years 1907-8 and 1908-9 amounted to 135,000L and 81,000L respectively; while those from India for the same years amounted to 107,000L and 104,000L, as can be seen from the trade returns. Owing entirely to the imports of machinery of the Anglo-Persian Oil Company, a temporary cause, the figures for 1909-10 show a large increase.

[11020]

No. 191.

Sir G. Lowther to Sir Edward Grey.—(Received March 26.)

(No. 67.)

(Telegraphic.) P.

Constantinople, March 26, 1911.

MESOPOTAMIAN irrigation.

His Majesty's Consul-General at Bagdad yesterday informed me by telegraph that he had just heard from irrigation engineers there that the construction of well-aligned Bagdad-Bussorah railway would not be possible, save at a prohibitive price, before considerable progress was made with the irrigation and drainage works. To this fact, which he considers of favourable significance, Mr. Lorimer attaches importance.

[11021]

No. 192.

Sir G. Lowther to Sir Edward Grey.—(Received March 26.)

(No. 68.)

(Telegraphic.) P.

Constantinople, March 26, 1911.

BAGDAD Railway terminus.

In accordance with your instructions, I repeated to His Majesty's consul at Bussorah your telegram No. 67 of the 22nd instant, repeating to me a telegram from the Government of India respecting a report that the Germans were attempting to secure a lien on Ras Tanura, and asked for his observations on it. I have now received a telegram from Mr. Crow stating that he knows nothing of this rumour. He asks for the name of the captain from whom the Government of India received the report, as his investigations would be made easier by information on this point.

[11019]

No. 193.

Sir G. Buchanan to Sir Edward Grey.—(Received March 26.)

(No. 70.)

(Telegraphic.) P.

St. Petersburg, March 26, 1911.

PERSIAN railways.

From the terms of your telegram No. 99 of the 24th March I fear that the sense of my telegram No. 65 cannot have been quite clear to you. I have never yet been informed by the Russian Government that they have no objection to our asking even for the option for the line, though they have admitted that we have a perfect right to construct it without asking for their consent at all.

In a conversation with M. Nératow yesterday I told him that the proposal that the terminus of the line should be fixed at a point south of Khorremabad was impossible of realisation, and I added that I was disappointed that the Russian Government had not yet seen their way to giving us a favourable reply. M. Nératow attributed the delay to the Ministerial crisis, and said that he was awaiting a report on the scheme from the Minister of Commerce. I begged that he would let me have a reply at the earliest possible moment.

I also saw the official who is in charge of the Persian section of the Ministry of Foreign Affairs, who told me that Russia is swayed by strategical as well as commercial reasons in her desire to extend her railway from Julfa to Tabreez. Any extension to the south of that point would be exposed to Turkish attack, and it was therefore undesirable to prolong the line at present to Khorremabad.

I told him what you had said as to British capital participating in the construction of the line from Enzeli to Tehran, and suggested the possibility of that line being linked up eventually with our projected railway from Mohammerah.

[11047]

No. 194.

Sir G. Buchanan to Sir Edward Grey.—(Received March 27.)

(No. 68.)

Sir,

St Petersburg, March 20, 1911.

IN a conversation which I had with the Assistant Minister for Foreign Affairs last week I spoke to his Excellency on the subject of the Mohammerah-Khorramabad line, and suggested that he should warn the President of the Council that I proposed to discuss the question with him in the course of the interview which he was to grant me yesterday. M. Nératow expressed the opinion that, while the Russian Government might raise no difficulties to our asking for an option to construct this line, the matter would be different when the time came for asking their consent to its actual construction.

M. Stolypin's reception of the proposal was even less favourable. After reading the accompanying *aide-memoire*, which I had handed him in accordance with the instructions conveyed to me in your telegram No. 87 of the 14th instant, his Excellency remarked with a smile that I was really not *en scène*, as this was the second disagreeable subject which I had broached to him on the same day. He admitted of his own accord that, as the proposed railway was in the neutral sphere, the Russian Government had no legitimate right to oppose its construction, though it was one to which they had very strong objections. The Moscow merchants and all those who were interested in Russian trade in Northern Persia would at once declaim against the Government for consenting to the construction of a line that would bring British sea-borne goods right up to the Russian sphere, while they would represent England's action as unnatural on the part of a friend.

I reminded his Excellency that, before his departure for Potsdam, M. Sazonow had explained to us the reasons which make it imperative for Russia to meet Germany's wishes with regard to the linking of the Bagdad Railway with the future North Persian Railway system, as this constituted the only *quid pro quo* which Russia had to offer in return for Germany's renunciation of all further claims in North Persia. We had acquiesced in the construction of the Sadidjeh-Khanikin line, although we had many reasons for objecting to it, because we did not wish to stand in the way of what was a Russian interest. We hoped, therefore, that Russia would in the present case show equal consideration for our interests. His Excellency would have seen from the recent debates in the House of Commons that the proposed construction of the Khanikin Railway was viewed with some apprehension in England. In order that we might be able to compete on equal terms with Germany, and to guard against the danger of differential rates being in one manner or another applied to our goods on the German railways, it was necessary that we should open up a new route for them by way of Mohammerah and Khorramabad. All that we wanted to do was to maintain our trade with Persia on its present footing, and it did not at all follow that the construction of the proposed line would really increase the volume of that trade. British goods to the value of about 1,000,000*l.* entered Persia every year by the way of Bagdad and Khanikin; and this trade would, were the railway to be built, be carried on by Mohammerah and Khorramabad instead of by Bagdad. The Moscow merchants seemed to think that they could place a veto on all railway construction in Persia, but this was now no longer possible. By her agreement with Germany Russia was opening Western Persia to German goods, and she could not with a good grace shut that door in the face of goods belonging to a friend.

His Excellency was unable to contest the justice of these arguments, but was evidently not prepared to face the opposition which the construction of the projected line, with the consent of the Russian Government, is likely to evoke in this country. He enquired whether the goods with which we supplied Persia were of the same class as those which Russia exported to that country, as in the matter of textiles the Russians were being undersold by the Germans, and he feared that British textile goods would also be cheaper than those exported from Russia. I said that I could not give him any information on this point at present, but that we were anxious to do all that we could to safeguard Russia's commercial interests. For the moment all that we wanted to do was to obtain the option of the line, and he might rest assured that we would not proceed to construct it without a thorough discussion of all matters relating to it with the Russian Government.

M. Stolypin remarked that the illness of M. Sazonow placed him at a great disadvantage, and rendered it difficult for him to come to a decision. I said that I

[1773]

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also deeply regretted the fact that M. Sazonow should be incapacitated by illness at the present moment, all the more so that I had hoped that, had he been able to carry out his intention of going to London, he would have been able to discuss this and other outstanding questions with you. M. Stolypin replied that it was most important that M. Sazonow should pay his promised visits to Paris and London in May, and in view of the progress which he had made towards recovery in the last few days, he thought that it was most probable that he would do so.

Before taking leave of his Excellency I again urged him to consent to our applying at once to the Persian Government for the concession, and suggested that we might leave the detailed discussion as to the construction of the line till M. Sazonow was sufficiently recovered to receive me, or till he went to London and was able to talk the matter over with you. M. Stolypin enquired whether I was in a hurry for an answer, and, on my replying in the affirmative, said that he would consult the Minister of Commerce and endeavour to let me know the decision of the Russian Government in the course of the week.

I have, &c.

GEORGE W. BUCHANAN.

P.S. March 22.—In a conversation which I had with the Acting Minister for Foreign Affairs, I went over the whole question once more with his Excellency and endeavoured to make our position clear to him.

M. Neratow put forward two personal suggestions which he begged me to submit to you as likely to facilitate a solution of the question. In the first place, he expressed the opinion that the Russian Government were more likely to withdraw their opposition to the proposed line if it were to stop short of Khorramabad, so that its northern terminus might be at a greater distance from the Russian zone. I told M. Neratow that I was too ignorant of the geography of the district through which the proposed railway was to pass to be able to say whether such a suggestion was feasible or not. It seemed to me, however, that, now that Russia was about to open the very heart of her zone to German goods, the least she could do was to allow British goods to reach the gates of that zone, and that it would not be fair to refuse us this. M. Neratow replied that as it was only now a question of asking for an option, we might be contented with this as a first step. He then put forward his second suggestion, which was to the effect that we might encourage the participation of British capital in the railways which Russia proposed to construct in Northern Persia.

I reminded him that we had already promised to see how far we could induce British capital to interest itself in a line from Julfa to the south, should Russia wish to build one, to join the line which we propose constructing from Mohammerah to Khorramabad; but his Excellency gave me to understand that such a line would not have any great attraction for Russia at the present moment, and that he was alluding to the Enzeli-Tehran line. I told him that a representative of a British syndicate, Mr. Williams, was at this moment negotiating with the Minister of Finance for the construction of the line from Julfa to Tabreez, and that it was, therefore, quite possible that he or his friends might equally interest themselves in the Enzeli line.

In the course of our conversation I tried to impress on M. Neratow the fact that we were not aiming at more than the maintenance of our trade with Persia on its present footing, and that the Mohammerah line would but serve to carry the goods which at present enter Persia by way of Khanikin. His Excellency expressed the opinion that we should find the line a very difficult one to construct, and asked me several questions as to the use we were making at present of the Karun route for trade purposes.

G. W. B.

Enclosure in No. 194.

Aide-mémoire communicated to M. Stolypin by Sir G. Buchanan.

DANS une conversation qu'il a eue le 11 (24) février avec le Ministre des Affaires Etrangères, l'Ambassadeur d'Angleterre a fait part à son Excellence du désir de son Gouvernement d'étudier le tracé d'un chemin de fer entre Mohammerah et Khorremabad. Sir George Buchanan a ajouté que le Gouvernement de Sa Majesté ne manquerait pas de consulter le Gouvernement Impérial avant d'en demander la concession au Gouvernement persan.

Or, le Gouvernement de Sa Majesté estime qu'il y aura intérêt de s'adresser au Gouvernement persan, afin d'obtenir cette concession dans le plus bref délai. Il ne s'agit pour le moment que d'acquiescer l'option pour la construction de ladite ligne ainsi que du port à Khor Musa et, avant de se prévaloir de cette option, le Gouvernement de Sa Majesté se propose d'engager une discussion détaillée avec le Gouvernement Impérial. Il ne manquera pas non plus de prêter l'attention la plus sérieuse aux moyens de sauvegarder les intérêts commerciaux de la Russie.

Pour le cas où le Gouvernement Impérial aurait l'intention de mettre en exécution le projet d'une ligne qui, partant de Djoulfa, se raccorderait avec la ligne Mohammerah-Khorremabad, le Gouvernement de Sa Majesté avisera jusqu'à quel point il serait possible d'encourager la participation des capitaux britanniques dans cette entreprise.

Saint-Petersbourg, le 5 (18) mars, 1911.

[11080]

No. 195.

Sir G. Lowther to Sir Edward Grey.—(Received March 27.)

(No. 183. Confidential.)

Constantinople, March 22, 1911.

Sir,

WITH reference to my telegrams Nos. 62 and 63 of the 18th March and yesterday, I have the honour to enclose translations of the conventions signed yesterday between the Ottoman Government and the Bagdad Railway Company respecting:—

1. The Helif-Bagdad sections;
2. The Alexandretta-Osmanie branch; and
3. The Alexandretta port.

These were accompanied by a declaration of the company renouncing its right conditionally to the Bagdad-Gulf section and the ports at Bussorah and the terminus, of which the Minister for Foreign Affairs promises to give me details to-morrow. The sum required for the kilometric guarantee and working expenses amounts roughly to £T. 400,000, while the surplus receipts assigned in virtue of paragraphs 1 and 2 of article 2 of the convention of yesterday yield about £T. 405,000, according to the latest returns, i.e., £T. 290,000 from the surplus tithes earmarked for the Haidar Pasha-Eskishehir-Angora-Konia-Eregli sections, and some £T. 115,000 from the ceded revenues surplus for the Bulgurlu-Helif sections, as shown in the annexed table.*

According to articles 3 and 4, the company undertakes to complete the sections from Helif to Bagdad within five years from the date of approval of the plans and surveys, which are to be prepared and approved within fourteen months from yesterday. To accomplish this there is a natural desire to set to work as soon as possible from both ends, and consequently a corresponding anxiety to lose no time in coming to a final settlement with England and France regarding the Bagdad-Gulf sections.

As regards the branch from Alexandretta to Osmanie, it is to be constructed without kilometric guarantees and within two years from the date of approval of the surveys, which are to be presented to the Ministry within nine months from the present date.

Like the port of Alexandretta, the termination of the concession is made to synchronise with that of the section ending 200 kilom. east of Helif, i.e., in the vicinity of Mosul.

The plans for the port at Alexandretta are to be ready within fifteen months from yesterday, and the works are to be completed within four years of the date of their approval. This port is in a way a set-off against the Gulf port and that of Bussorah granted to the company by the original firman, but now relinquished, together with their exclusive right to the Bagdad-Gulf sections of the railway.

I am informed that the German company also reserves to itself the right to come to terms with the new company as to the indemnity to be paid by the latter to compensate it for the loss suffered in not constructing that section.

Hussein Djahid Bey, in the "Tanin," which is practically the organ of the Minister of Finance, and other Government organs, express great pleasure at the conclusion of these conventions, and the hope that they will lead to a similar settlement with Great Britain in the matter of the Gulf sections, Koweit, and "other parts of Ottoman

* This table is inaccurate: see corrected one in Sir G. Lowther's No. 190 of March 23, 1911.

territory in the Persian Gulf" (the latter phrase may refer to Bahrein, Katar, &c.), but the fact that the Government refuses to submit these conventions to the Chamber indicates that it anticipates considerable opposition to their conclusion. According to the Concession Law, which was the outcome of the "affaire Lynch," all concessions involving a financial liability on the part of the Treasury must be submitted to the Chamber, and it is certainly straining the interpretation of the preamble of the 1908 convention to maintain that the reallocation of the revenues assigned to the Haidar Pasha-Konia-Eregli sections do not involve such liability. The opposition in the Chamber would doubtless be based on the contention that while the State is contracting debts to meet its ordinary expenditure, there can be no justification for assigning revenues to a railway which, even on military considerations, is not an imperatively immediate necessity.

The condition attached to the German company's relinquishment of its rights over the Bagdad-Gulf sections, viz., that its share in the new Ottoman company should not be inferior to that of other non-Ottomans, coupled with the proposal made to His Majesty's Government, and forwarded in my despatch No. 139 of the 1st March, that the Ottoman Government's share should be 40 per cent., does not seem to afford much scope for obtaining such control of the Bagdad-Gulf line as would compensate for the consent of a free-trade country like England to the 4 per cent. customs increase, and the surrender of our position in Koweit. A combination by which the Ottoman Government's share should be reduced to 10 per cent., and that of Germany, France and England increased to 30 per cent.—the Anglo-French share being thus greater than that of Turkey and Germany combined—might afford a more satisfactory basis, especially if Turkey consented to recognise our position in Bahrein and Katar. Prominent Germans here have recently been hinting that the Turks will have to accept any arrangement come to between Berlin and London, following the analogy of the Potsdam interview, and that we perhaps could secure a more satisfactory arrangement by unofficial pourparlers with Germany. I understand that my German colleague, Baron Marschall, is proceeding to Berlin in a few days, and that he intends impressing on Herr Kiderlen-Waechter the desirability of Germany unofficially approaching England, with a view to a friendly solution. On the other hand, the present Turkish Cabinet feel that the Potsdam interview, where matters Turkish were discussed without previously consulting the Ottoman Government, was a severe blow to the latter, and they are anxious at least to appear to come to a settlement of Persian Gulf matters with England direct. At the same time, the proviso that in the event of the failure to form the new "international" Bagdad-Gulf company, the German company should be reinstated in her rights under the original concession, would seem to point to Germany's desire to be prepared for all eventualities, e.g., the breakdown of the Anglo-Turkish negotiations on the subject. It is said that one of Germany's main objectives in all these negotiations is to obtain free access to the Paris money market.

On general grounds it would seem that the removal of the main causes of rivalry and friction between Germany and England and France here, if not in a wider sphere, would be to the benefit of all parties concerned. Turkey has always traded on the dissensions between internal Ottoman elements, and on the discords and jealousies of the Great Powers. Even Greeks, Bulgarians, and Albanians have lately shown signs of a desire to lay aside their mutual dissensions, and it might be to the general interest that the same tendency should, if possible, be manifested in the international sphere in matters concerning Turkey.

It is to be anticipated that the German company will now lose no time in negotiating with Turkey for the construction of the Khanikin branch.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 195.

Extract from the "Stamboul" of March 20, 1911.

LA NOUVELLE CONVENTION.

I. Tronçon Héli-f-Bagdad.

ARTICLE 1^{er}. Le Gouvernement a décidé de continuer la construction de la section Boulgourlou-Héli-f jusqu'à Bagdad, la prolongeant ainsi d'environ 600 kilom.

Art. 2. La compagnie renonce à l'affectation des nouveaux revenus destinés à couvrir l'allocation annuelle spécifiée à l'article 35 du contrat du 5 mars, 1903, et les frais d'exploitation, accordée pour la construction et l'exploitation du tronçon Héli-f-Bagdad :—

1. La somme à payer à la compagnie en vertu de cet article 35 sera versée sur le reliquat de l'excédent des revenus nets de la Dette publique appartenant au Gouvernement ottoman d'après l'article 7 de l'appendice du décret du 28 mouharrem, 1299, déduction faite de la surtaxe douanière de 3 pour cent. La compagnie renonce aussi à tous droits découlant des contrats échangés précédemment concernant le produit de la surtaxe de 4 pour cent que le Gouvernement ottoman essaie d'établir.

2. Cette somme sera acquittée sur l'excédent de recettes des dimes qui a été affecté comme garantie kilométrique du tronçon des 200 premiers kilomètres de la ligne de Bagdad et des lignes ottomanes d'Anatolie.

Art. 3. Le projet et les plans de la ligne Héli-f-Bagdad devront être transmis au Ministère des Travaux publics dans le délai d'une année, à partir de l'échange de la présente convention et l'approbation en sera faite dans un délai de deux mois.

Art. 4. La compagnie a le droit de demander au Gouvernement ottoman d'émettre, en bloc ou séparément, les séries d'emprunt 4, 5, et 6, chacune de 54,000,000 de francs, à partir de la signature de la présente convention et s'engage à achever, dans le délai de cinq années, à partir de l'approbation des projets de prolongement jusqu'à Bagdad la totalité de ce tronçon.

Art. 5. Les séries d'emprunt de 4, 5 et 6 seront soumises aux clauses des séries 2 et 3 spécifiées dans le contrat du 2 juin, 1908, savoir :—

1. Chacune des nouvelles séries sera de 54,000,000 de francs.

2. Seront affectés à ces séries les crédits spécifiés à l'article 2 du présent contrat.

3. La compagnie fixera les délais de paiement des coupons ainsi que la répartition des parts des nouvelles séries en parts d'une et cinq actions.

Art. 6. La compagnie affectera aux travaux de prolongement de Boulgourlou à Bagdad la totalité du produit des séries nouvelles à partir de 2 jusqu'à 6, et en particulier à ceux de Boulgourlou-Héli-f le produit des séries 2 et 3.

II. Tronçon d'Alexandrette.

Article 1^{er}. Le Gouvernement ottoman accorde, aux conditions suivantes, à la Compagnie du Chemin de Fer de Bagdad la concession de construction et d'exploitation d'une ligne à large voie entre Alexandrette et Moustapha-Bey ou Osmanié.

Art. 2. Les conditions de cette concession sont les mêmes que celles de la convention du 5 mars, 1903, non modifiées par le présent contrat.

Art. 3. La concession prendra fin en même temps que celle du tronçon situé entre Héli-f et le 200^e kilomètre de la ligne de Bagdad.

Art. 4. Les projets de ce tronçon seront remis au Ministère des Travaux publics dans un délai de neuf mois.

Art. 5. Les travaux devront être terminés dans un délai de deux ans à partir de leur approbation.

Art. 6. La compagnie construira cette ligne comme elle l'entendra, à ses risques et périls, sans demander aucune garantie ou secours au Trésor. Les produits de ce tronçon non afférents à la ligne de Bagdad reviendront à la compagnie, dans les limites des clauses de l'article 7.

Art. 7. Des revenus bruts journaliers du tronçon, on déduira les dépenses annuelles nécessaires pour l'exploitation et pour l'entretien et le renouvellement du matériel ainsi que l'amortissement à 6 pour cent du capital dépensé pour les travaux de premier établissement et supplémentaires.

La somme nécessaire à l'exploitation, aux travaux de premier établissement ainsi qu'aux travaux supplémentaires sera fixée par l'assemblée générale des actionnaires. Ce bilan sera transmis au Ministère des Travaux publics.

Si les revenus bruts ne suffisent pas à couvrir les deux sortes de dépenses spécifiées précédemment, la différence sera portée en "compte d'attente" avec intérêt à 5 pour cent et sous le titre de "déficit des revenus nets."

Si, au contraire, les produits bruts sont supérieurs à ces dépenses, l'excédent sera affecté à éteindre ce "déficit" susdit. Le déficit éteint, 50 pour cent du dividende appartiendront à l'Etat et 50 pour cent à la compagnie.

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Art. 8. Les actions à émettre pour la construction de la ligne seront soumis au timbre.

Art. 9. Les articles 45 et 46 de la convention du 5 mars, 1903, ne sont pas applicables au tronçon qui fait l'objet du présent contrat.

Art. 10. Le Gouvernement ne pourra acheter ce tronçon sans acheter en même temps celui de Boulgourlou-Hélif. En cas d'achat, l'annuité à payer par l'Etat jusqu'à la fin de la concession sera égale au produit net moyen des cinq années précédant l'achat, déduction faite des sommes revenant à l'Etat en vertu de l'article 7. Elle ne pourra être inférieure à l'amortissement à 6 pour cent des dépenses de premier établissement et des travaux supplémentaires. L'Etat acquittera, en outre, "le déficit des revenus bruts."

Art. 11. Dans le cas où des tarifs communs seraient établis entre les lignes de Bagdad et le tronçon dont il est question, ils seront répartis proportionnellement aux distances parcourues sur les deux lignes.

III. Le Port d'Alexandrette.

Article 1^{er}. Le Gouvernement ottoman cède à la Société du Port de Haïdar-Pacha la concession de construire un port à Alexandrette permettant aux bateaux d'accoster directement les quais.

Art. 2. Les conditions de cette concession sont identiques à celles de la convention en date du 3 (15) mars, 1899 (1315), concernant le port de Haïdar-Pacha, sauf les modifications apportées par le présent contrat.

Art. 3. La durée de la concession expirera en même temps que la concession de la partie de la voie ferrée de Bagdad se prolongeant entre Hélif et le 200^e kilomètre de la voie.

Art. 4. Les projets afférents à la construction du port devront être soumis au Ministère des Travaux publics au plus tard dans un délai de quinze mois à partir de la date de cette convention.

Les tarifs à appliquer sont ceux qui se trouvent annexés à la présente convention.

Art. 5. Les constructions devront être achevées dans la durée de quatre ans après l'approbation des projets.

Art. 6. La compagnie aura le droit de construire une échelle à Papaz pour l'embarquement et le débarquement des troupes et des voyageurs. Cette échelle sera reliée à la ligne d'Osmanié ou de Moustapha-Bey-Alexandrette.

Les tarifs à appliquer seront fixés par la compagnie d'accord avec le Ministère des Travaux publics.

Si la société n'use pas de son droit dans l'intervalle de deux ans après la construction du port d'Alexandrette, le droit sera annulé et le Gouvernement pourra céder à un tiers le droit de construction d'un port ou d'une échelle à Papaz.

Art. 7. Les titres qui seront émis par la société seront soumis au droit de timbre.

Art. 8. La compagnie procédera à la construction des quais, sans exiger du Gouvernement un concours pécuniaire ou un cautionnement. Par contre, elle n'aura à faire aucun paiement au Gouvernement sauf la contribution prévue à l'article 10.

Art. 9. Les recettes du port d'Alexandrette ainsi que celles de l'échelle de Papaz, si elle est construite, ne seront pas comprises dans celles du port de Haïdar-Pacha.

Art. 10. Sur les recettes brutes du port d'Alexandrette et de l'échelle de Papaz, si elle est construite—les recettes provenant de l'emploi des fonds de réserve de la compagnie non comprises—seront prélevés: (1) Les frais d'administration, de construction, de renouvellement et d'entretien des machines, et (2) les intérêts de 6 pour cent et l'amortissement jusqu'à la fin de la durée de la concession du capital nécessaire pour les travaux de fondation.

Le montant du capital en question sera fixé par les bilans confirmés par l'assemblée générale des porteurs de titres. La compagnie est tenue de communiquer ces bilans au Ministère des Travaux publics.

Si les recettes ne compensaient pas les frais susindiqués, le déficit sera porté en "compte d'attente" avec intérêt à 5 pour cent et sous le titre de "déficit des revenus bruts," en attendant que l'augmentation des recettes en permettent l'amortissement.

L'augmentation ultérieure des recettes sera affectée tout d'abord au règlement des susdits suppléments de frais. Une fois ce chapitre clôturé, l'excédent des recettes sera réparti comme suit:—

1. Si les recettes nettes de la ligne d'Osmanié et de Moustapha-Pacha-Alexandrette seraient inférieures à l'amortissement et aux intérêts du capital, l'excédent des recettes

du port d'Alexandrette sera affecté en premier lieu à combler d'abord toute différence en moins sur les recettes de la ligne d'Alexandrette et ensuite à la clôture des comptes de la ligne en question.

2. Après la clôture de tous ces comptes, l'excédent des recettes annuelles sera reporté, à parts égales—50 pour cent—entre le Gouvernement et la compagnie.

Art. 11. Le Gouvernement ne pourra racheter la concession du port d'Alexandrette et de l'échelle de Papaz, si elle est construite, qu'à condition d'acheter en même temps la ligne du Chemin de Fer de Bagdad entre Boulgourlou et Hélif.

Art. 12. La compagnie s'engage à ne pas céder à un tiers ni la concession du port de Haïdar-Pacha, ni celle du port d'Alexandrette, et de l'échelle de Papaz, si elle est construite.

Art. 13.—Les dispositions de l'article 19 de la convention en date du 3 (15) mars, 1315 (1899), ne sont pas applicables au port d'Alexandrette et à l'échelle de Papaz, si elle est construite.

Minutes.

The interesting communication will be the one which Rifaat Pasha was to give Sir G. Lowther on the 23rd March (see the first page of this despatch) about the Gulf sections.

The passages about Bahrein and El Katr are important: if we could get a favourable settlement of these questions it would be a distinct accomplishment, and we could hardly assent to the customs increase without such a settlement. The attitude of Germany during these negotiations will be curious to watch. She apparently has something to gain by a settlement, and therefore may urge moderation on the Turks. On the other hand, it might be unwise to confide in her until she comes out into the open, as it is always possible she is up to double-dealing.

Mr. Mallet to see.

A. P.

Foreign Office, March 27, 1911.

It seems to me important steadily to keep in mind the main object we have in view, namely, the safeguarding of British interests in the Persian Gulf and, subsidiarily, in Mesopotamia. It was because we considered those interests threatened by the german monopolistic railway scheme that we have declined to assist Turkey, or German financiers, in carrying out that scheme. Our attitude has resulted in impressing Turkey with the necessity of obtaining from Germany a freer hand in regard to the Bagdad-Gulf section of the railway, so that Turkey now has something to offer to us, in return for which we are expected to consent to increase of customs and to allow British money to be made available for the railway. It is the customs, and our hold over Koweit, which have been the lever by which we are beginning to secure some success. This lever is available as against Turkey, and it is from Turkey that we want a satisfactory arrangement respecting the position at Koweit and generally on the littoral of the Gulf. Therefore we should do well to continue negotiating with Turkey.

It is true that we are also desirous of coming to an understanding with Germany, but this seems to me, at this stage, not the primary, but the secondary, consideration. It is probably more important to us to get a favourable settlement of the Gulf question in general than to agree about the exact proportion of British participation in the railway.

It is moreover only too likely, because in accordance with our long experience of German diplomacy, that if we were to agree to negotiate with Germany direct, she would after driving the hardest possible bargain with us, finally turn round to the Turks and, by some systematic misrepresentation such as their inspired organs are masters of, get Turkey to believe that it was England that was contemptuous of Turkish interests.

If we do not get satisfaction out of the Turks as regards our position in the Gulf, we shall gain practically nothing by any agreement with Germany. On the other hand, a direct negotiation with Germany might bear no direct fruit, and yet we might still come to a satisfactory arrangement with Turkey. Everything therefore points to the wisdom of negotiating direct with Turkey in the first instance and as the most important part of any attempt to carry out our policy.

Any negotiation which we may carry on simultaneously with Germany ought to be clearly explained to be subject to the reservation that it can lead to no agreement unless we at the same time obtain satisfactory terms from Turkey. By making this quite plain, we may hope to enlist German support in inducing Turkey to come to terms, and I see no reason why we should not ask Germany definitely to use her influence in that direction.

This presupposes that, as a preliminary, we have made it quite clear to our own minds what British requirements are, and I would strongly deprecate entering into any further discussion with Germany, unless we have reached that state of clearness.

Foreign Office, March 27, 1911.

E. A. C.

R. P. M.

A. N.

E. G.

[11046]

No. 196.

Sir G. Buchanan to Sir Edward Grey.—(Received March 27.)

(No. 67. Confidential.)

Sir,

St. Petersburg, March 22, 1911.

WITH reference to your despatch No. 71, Confidential, of the 8th instant I have the honour to state that, in the course of a conversation which I had with him this morning, Mr. Williams informed me that the negotiations which he has been conducting with the Minister of Finance on the subject of a scheme for the construction of a railway from Julfa to Tabreez have been somewhat delayed owing to the Ministerial crisis. The Russian Government, he said, wanted to keep the control and working of the line in their own hands and to come to terms with his syndicate for its financing and construction. All that they have to offer in the way of guarantee is the stock, amounting to 4,600,000 roubles, which they hold in the existing road concession, and the success of the negotiations will depend apparently on whether they are able to employ it in such a manner as to offer any real security to intending investors. They will also, before any definite arrangement can be concluded, have to obtain a concession for the projected railway from the Persian Government, and I gathered from what Mr. Williams told me that they would prefer not to do this immediately, though he mentioned that one of the officials of the Ministry of Finance would probably proceed shortly to Tehran in connection with this railway project.

From a strategical point of view the railway would be of advantage to Russia in the event of a Turkish occupation of the Urumiah district, while it will also no doubt promote her commercial intercourse with Persia.

I may mention that Mr. Williams does not seem to take the same keen interest in this scheme since his attention has been attracted to another one for the construction of grain elevators in Siberia and other parts of the Russian Empire, which will necessitate the formation of a syndicate with a capital of some 8,000,000*l.*

I have, &c.

GEORGE W. BUCHANAN.

[11030]

No. 197.

Sir E. Goschen to Sir Edward Grey.—(Received March 27.)

(No. 75.)

Sir,

Berlin, March 24, 1911.

I HAVE the honour to enclose herewith a translation of the account given in the semi-official "Norddeutsche Allgemeine Zeitung" of the agreements recently concluded between the Ottoman Government and the Bagdad Railway Company.

This communiqué has been received with the greatest satisfaction by the rest of the German press, and all the most important newspapers have jubilant articles on the subject.

The "Kreuz-Zeitung" says that the agreements have given equal satisfaction in Germany and Turkey. It passes lightly over the advantages gained by Germany in obtaining the concession for the building of the Alexandretta-Osmanieh branch line,

and gives greater prominence to the benefits accruing to Turkey by the renunciation by the Bagdad Railway Company of so many of its rights.

It particularly points out that the renunciation of its claim to the proceeds of the contemplated 4 per cent. customs increase has simplified matters for Turkey, and will prevent the consent of other Powers to that increase being used as a lever to extract unwilling concessions from her, or to exercise pressure on the Sublime Porte.

It appears from this observation that, in the opinion of the "Kreuz-Zeitung" at all events, the release by the company of the proceeds of the 4 per cent. increase entails the removal of all opposition to that increase on the part of other Governments.

The article goes on to say that by the present agreements Turkey has gained greater freedom of action, and has in any case gained time, so that she can approach any international negotiations, directly or indirectly, connected with the Bagdad Railway question at her leisure, and without any fear of being hurried or forced into decisions with regard to the recognition or non-recognition of "rights," such as those put forward by England as regards Koweit.

"Neither," it adds, "will the German concessionnaires be under any necessity of coming to any immediate decision with regard to any concessions which may be demanded by other Powers interested."

The article then turns more particularly to the question of the southern section of the Bagdad Railway, and in that connection it sounds a note of warning. It says that while the postponement of international difficulties as regards the railway up to Bagdad may be regarded with satisfaction, the postponement of the difficulties regarding the Gulf section of the line is another matter, and entails upon the German Government the exercise of the greatest circumspection and vigilance. It was true that in renouncing its right to construct this section the company had stipulated that the German share in the new company to be formed should not be less than the share of any other non-Ottoman Power. The French press had objected that this renunciation on the part of the company was illusory, as the Germans and the Turks could always outvote the French and the English. This was, however, no certainty, and it might easily happen that, if German capital was only assured a share equal to that of other Powers, circumstances might arise in which an Anglo-French combination might gain the upper hand. "We must therefore," it continues, "not shut our eyes to the danger that the influence of German capital may become illusory, that England from the south may get the deciding influence over the Bagdad Railway, and the Suez Canal drama be played over again. In this way England is seeking real and lasting advantages, both political and commercial. Germany, on the other hand, politically disinterested, seeks only to maintain the principle of the open door, and, far from having any idea or intention to set up permanent preferential tariffs, will be content with the temporary advantage of supplying the material for the construction of the line. To give up permanent advantages and acquired rights for such a transitory advantage would be a very short-sighted policy. Consequently, a word of warning to the German companies interested would not be out of season, and they should be advised to be very careful in their future negotiations not to make concessions disproportionate to the transitory advantages which it is desired to obtain by them."

This article has every appearance of being inspired by the Imperial Foreign Office, and if it is so, the somewhat pessimistic remarks as regards the Gulf section of the line and the solemn words of warning addressed to the directors of the Bagdad Railway Company need not be taken very seriously. These remarks and warnings do not appear to me to have a very true ring, and I think they may be taken as an attempt not to appear too jubilant over what most of the German papers hail as a "triumphant German success."

The "Kölnische Zeitung" expresses complete satisfaction with the agreement. It reminds its readers that it was not so long ago that in Germany as well as in France and England the Bagdad Railway scheme was regarded as a wild phantasy capable of realisation only in the distant future. But the German financial group which was conducting the enterprise had shown a tenacity of purpose which had triumphed over all obstacles, with the result that what had hitherto appeared to most people as a shadowy dream might now be regarded as being well within the range of practical possibilities.

In another place, the article remarks that the Bagdad Railway Company had done Turkey very good service by giving up its claim to the proceeds of the 4 per cent. customs increase. Hitherto England had refused her consent to the proposed increase, fearing that the proceeds would accrue to the benefit of the company. But now the new agreement had furnished the guarantee which you had stated in the House

of Commons to be indispensable for the safeguarding of British commercial interests, which was that the yield from the customs increase should not benefit a line the completion of which was calculated to injure those interests. This being so, it might be assumed that no further obstacles would be placed in the way of Turkey opening up a new source of revenue in the manner which she contemplated.

I have, &c.

W. E. GOSCHEN.

Enclosure in No. 197.

Extract from the "Norddeutsche Allgemeine Zeitung" of March 23, 1911.

(Translation.)

AS has already been announced elsewhere, various agreements were concluded yesterday at Constantinople between the Turkish Government and the German Bagdad Company to ensure the completion of the construction of the line as far as Bagdad.

The object of these treaties is to place the construction, which was already ensured by the original concession, on such a financial basis that its completion within a few years can be guaranteed by the company.

Three agreements come into consideration. In the first, guarantees are given to the company instead of their claims on the yield of the 4 per cent. customs increase, which was planned, but hitherto refused by the Powers. These guarantees permit the company construction within 5 years after the sanction of the plans. The company is thereby enabled also to commence construction from Bagdad, and they were therefore able to enter into an obligation to keep the term of 5 years.

In the second agreement, the company are granted the construction of a branch line from Osmanieh to Alexandretta, which will establish the shortest line from Aleppo to the Mediterranean.

A third agreement grants to the Bagdad Company the development of the natural harbour of Alexandretta, on the same conditions on which the construction of the harbour of Haidar Pasha at the point of egress of the Anatolian Railway opposite Constantinople was granted to it.

With regard to the continuation of the line from Bagdad to the Persian Gulf, no detailed agreement has yet been concluded. Nevertheless, on the occasion of the conclusion of the other agreements, the Bagdad Railway, as holder also of the concession for the Gulf section, has repeated to the Turkish Government, for this portion of the line, the offer which it had already made in 1903 for the entire Bagdad section. This offer was and is to the effect that the construction should be transferred to a new company, in which, while the acquired rights of the first company were taken into account, both the Turkish Government and capital of other countries should participate.

In 1903 this offer failed, in face of the refusal of British capital to participate in the entire section and of its demands for control over the final Gulf section.

By the conciliatory attitude of the German Bagdad Company, the Turkish Government has once more been afforded the possibility of making advances to British capital, and of inviting its co-operation—though, it is true, its maximum is not to exceed the German share.

Should the negotiations undertaken with a view to this object fail, nothing will remain to the Bagdad Railway Company but to undertake the construction of the end section by themselves. The result of the negotiations to be undertaken with the Turkish Government can be awaited with tranquillity.

The certain result of the present negotiations is, at any rate, the certain prospect that in a few years the mighty work of a railway communication from Constantinople to Bagdad, the practicability of which has so often been doubted and in the way of which so many natural and artificial obstacles have stood, will have become a fact.

We shall then with pride be able to look upon a new monument of German work, German industry, and persevering German enterprise, which will at once bring great benefit to large tracts in Asia Minor, and will further the development of the entire Ottoman Empire.

[11287]

No. 197*.

Sir G. Barclay to Sir Edward Grey.—(Received March 27.)

(No. 96. Confidential.)

(Telegraphic.) P.

Tehran, March 27, 1911.

RAILWAYS.

In continuation of my telegram No. 92 of the 24th March, I have the honour to report that Nasr-ul-Mulk's private secretary called on me to-day to suggest confidentially that the Regent, M. Poklewski, and myself should discuss a general scheme of railway construction in Persia, unofficially, together. In reply, I informed him that I had received no instructions to discuss railway questions, but I promised that I would telegraph Regent's suggestion to you confidentially.

Please refer to my telegram No. 90 of the 21st March. In the course of his conversation with Mr. Greenway, Nasr-ul-Mulk spoke of the Trans-Persian Railway as part of the general project, and the probability of this question being brought forward by his Highness, or at all events by my Russian colleague in any discussion, is to be foreseen. Private secretary added that, in Regent's opinion, any scheme for railways had better rest on an international basis, e.g., British, Russian, French, in order to be palatable to the Persians.

He further stated that he was not instructed to make a similar communication to M. Poklewski. In these circumstances I shall not speak to my Russian colleague until I learn your views on the subject. M. Poklewski knows, however, what passed during the interview granted by the Regent to Mr. Greenway.

[1773]

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[10752]

No. 198.

Sir Edward Grey to Sir G. Barclay.

(No. 91.)

(Telegraphic.) P.

Foreign Office, March 27, 1911.

TRANSPORT company are concerned at reported negotiations of oil syndicate (see your telegram No. 90 of the 21st March), and recall the assurances they hold from us in regard to preferential treatment (see Persia print of the 30th January, section 2).

While no step should be taken without first arriving at an understanding with the Russian Government, it would be the simplest course for His Majesty's Government themselves to ask Persian Government for an option to build Mohammerah-Khorembad line, and then to arrange for construction and management of line by a syndicate, which would of course include transport company. We have already been asked by company whether, in our view, they could opportunely approach Persian Government at this juncture.

I should be glad of your views on these points.

[11020]

No. 199.

Sir Edward Grey to Sir G. Louther.

(No. 75.)

(Telegraphic.) P.

Foreign Office, March 27, 1911.

PLEASE communicate to Sir H. Babington Smith substance of your telegram No. 67, and inform me by telegraph if the report in question and that of Mr. Money, the railway engineer, who examined the *tracé* last year, coincide. Would a line along the Tigris Valley be open to the same objection?

[11396]

No. 200.

Sir H. Babington Smith to Sir A. Nicolson.—(Received March 28.)

Dear Sir Arthur,

Constantinople, March 16, 1911.

I HAVE not troubled you with letters since my return to Constantinople, in the first place because I know how busy you are, and in the second place because I have kept the Ambassador fully informed of anything that has come to my knowledge, and have also written to Cassel, who I knew was seeing you from time to time.

I have had some conversation both with the Grand Vizier and with Djavid Bey on the subject of the Bagdad Railway. I understood from both of them that the participations suggested were not intended as final. When I told Djavid that I was sure that their proposals on this point would be unacceptable, he said that it would be possible to modify them by increasing the share for each country from 20 per cent. to 25 per cent., or even more, but that the Germans, he thought, would not be willing to accept any arrangement which would give them a smaller share than any other country. He added that he already noticed a stiffening in the German attitude, in consequence of Sir Edward Grey's full recognition of the rights of the existing concessionnaires. I replied that he was hard to please if he complained of Sir Edward Grey's speech, since the statements made were precisely similar to those made by the Grand Vizier in the Turkish Chamber a few days before, and added that Sir Edward Grey had to reckon, not only with Germany, but with opinion in England, which had hitherto refused to recognise accomplished facts.

As regards the participations, I am inclined to think that our interests would be sufficiently protected if we had 40 per cent., as against 20 per cent. each for Germany, France, and Turkey. This would give us a majority in combination with any one of the other three parties, and would also give us a claim to the chairmanship. If our object is to make this the minimum of our demands, no doubt we should begin by asking for something more, say, 50 per cent.

In the debate in the House of Commons a great point was made of the possibility of preferential rates, to the detriment of British commerce. This is valuable as an argument, but I am inclined to think that its practical importance is often exaggerated. In a customs tariff preferences may no doubt be given in the manner suggested by Mr. Balfour; for instance, cotton yarn of particular counts, or cotton goods of particular

categories, may be taxed at a lower rate. It would hardly be possible to apply such fine distinctions in the case of railway tariffs; for instance, on the Anatolian Railway, all fabrics, whether cotton, woollen, or linen, are treated together, and are in the same class, with a large number of other articles. The great bulk of the Mesopotamian trade is in cotton goods; and I cannot believe that it would be practicable to manipulate railway rates for cotton goods in such a way as to favour German competition with our existing trade. Even if minute distinctions between different kinds of cotton goods were possible, it is evident that any new competitor would, in the first instance, at any rate, be obliged to compete by sending goods similar to those which at present hold the market.

I am not aware that there is any authenticated instance in which the Anatolian Railway discriminates, directly or indirectly, in favour of German goods.

I am very glad to see that the tone of the English press is, on the whole, more reasonable and more conciliatory than it has been in the past; but, even under the most favourable conditions, discussions in the press are likely to prejudice the negotiations. I venture to suggest that the longer the negotiations last the less the prospect of success, and that as rapid a rate of progress as is possible is a matter of real importance.

Conversations have taken place between Bompard, the Ottoman Bank, and the Turkish Government regarding a large railway loan. I do not think that the discussion has got so far as has been alleged in the newspapers. The idea, I think, on both sides is to find a means of reopening the French market; and it is thought that a loan to be applied expressly to public works would give the necessary excuse to the French for relaxing their conditions. As regards the lines on which the money would be spent, the Samsoun-Sivas line has been suggested, with prolongations to Erzeroum and Van. In the case of this line, the French would be expected to conciliate Russian opposition. The Danube-Adriatic line has also been spoken of; but this, again, raises difficult international questions.

If Anglo-French co-operation in Turkey is to be established, it appears to me that these railway schemes, and in particular the Samsoun-Sivas-Erzeroum-Van line, offer suitable grounds for co-operation. There are no established interests on the part of either country, and the field is open. Offers from Sir John Jackson's firm for undertaking the survey and construction of these lines, on terms to be negotiated, are already before the Government.

The Chester scheme appears to be making progress. German opposition has been conciliated—I do not yet know in precisely what manner; and I learn on good authority that the German influence has not only ceased to be adverse, but is actually being used in favour of the scheme now. The project has strong support in Parliament; and I have little doubt that the motives for this are in many cases pecuniary. Djavid Bey told me a day or two ago that he thought it extremely probable that the concession would be granted, but that he doubted whether capitalists would be found to take up the option. I also am inclined to doubt this; but it will be easier to judge when the actual terms of the concession are known. These have been very fluid hitherto, both as regards the conditions and also as regards the *tracé* of the line.

It is, I believe, quite decided that Nazim Pasha, the Vali of Bagdad, is to be recalled. I am sorry for this; for, though he has given trouble by his arbitrary methods, he has certainly not shown himself unfriendly to English interests or to the National Bank.

Yours, &c.

H. BABINGTON SMITH.

[9933]

No. 201.

Government of India to the Earl of Crewe.—(Received at Foreign Office, March 28.)

(Telegraphic.) P.

March 17, 1911.

RUMOUR is reported, for what it is worth, by Political Agent, Bahrein, to the effect that an attempt to get a lien on Ras Tanura, as a terminus for the Bagdad Railway, is being made by the Germans. It was also stated by Political Agent's informant, a commander of one of the small coasting steamers belonging to British India, that a survey could quite well be made without the knowledge of anyone in Katif.

[12282]

No. 202.

Sir Edward Grey to Sir F. Bertie.

(No. 114.)

Sir,

Foreign Office, March 28, 1911.

I SAW M. Cambon with Sir Arthur Nicolson to-day.

M. Cambon informed us that the French Government wished to secure certain railway concessions in the north of Asia Minor, which were being applied for by a Russo-French group. They wished to complete the system of Syrian railways; and, as for a part of its length the Hedjaz Railway competed with one of the French railways, they wished this length of the Hedjaz Railway to be conceded to the French. Further, there was the Danube-Adriatic Railway project, in which they were interested.

I said that I assumed that, if they were satisfied on these points, they would then be prepared to give their consent to the 4 per cent. increase of the Turkish customs dues, and to consider that an agreement had been come to about the Bagdad Railway generally.

M. Cambon assented, but said that the consent of the French to the increase would be dependent upon an accord having been come to with us.

I told him that our situation was a corresponding one. We wished to have a satisfactory arrangement about the Bagdad-Gulf section of the Bagdad Railway that would secure for us two things.¹ The first thing was that British trade should be sure of perfectly fair treatment on the whole of the Bagdad Railway system. We could secure this if we had control of the Bagdad-Gulf section, for the arrangement of through-rates would then be a matter in which we should have our say. The second thing we wished to make sure was that the strategic position in the Persian Gulf should not be altered to our disadvantage. We did not wish to press that the Bagdad Railway should be continued to the Persian Gulf, but we wished to secure that, if it did reach the Gulf, it should do so at a place and under conditions such that the present strategic position would not be prejudiced. I should discuss these two points with the India Office, which was specially interested in the strategic conditions, and with the Board of Trade, which was interested in the commercial conditions. I should then make a counter-proposal in reply to the Turkish proposals, which would certainly not do as they stood. But, as the Germans could upset any arrangement which was come to with the Turks, I thought we should probably tell the Germans frankly what were the things which we wished to secure, and find out whether they were willing to agree to conditions by which they could be secured. If we found that an agreement could be reached, I should tell M. Cambon what the agreement was to be; and I should say to the Turks that we would not conclude it and give our assent to the customs increase until the French Government also were satisfied on the conditions which he had indicated to me.

M. Cambon entirely accepted this statement of our position.

I am, &c.

E. GREY.

[11422]

No. 203.

Sir G. Buchanan to Sir Edward Grey.—(Received March 28.)

(No. 74.)

(Telegraphic.) P.

St. Petersburg, March 28, 1911.

PERSIAN railways.

The Ministry of Foreign Affairs have sent me an *aide-mémoire* on the subject of the proposed Mohammerah-Khorremabad line, of which the following is a summary:—

The Russian Government recognise that, as the whole length of the projected line lies within the neutral zone, they cannot dispute Great Britain's right to apply for the concession, since the two Governments engaged by article 3 of the convention of 1907 not to oppose any concessions which the other party might apply for in that zone.

The Russian Government at the same time must draw attention to the fact that the terminus of the projected line will lie near the borders of the Russian zone, and that Russia's economic interests will therefore be necessarily prejudiced by its construction. They therefore fear that Russian public opinion will view with extreme disfavour the acquisition of such a concession by Great Britain.

The Russian Government therefore view with pleasure the declaration of His

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Majesty's Government that at present their only intention is to secure a concession for this line, and that they will enter into a friendly exchange of views with the Russian Government before taking any steps for its construction, in order that all questions connected with the eventual realisation of the enterprise may be settled by mutual agreement between the two Governments.

The Russian Government thank His Majesty's Government for their friendly statement that they have no objection to British capital participating in the construction by Russia of railways in Northern Persia.

The *aide-mémoire* was forwarded to me by M. Nératow in a private letter, in which he states that from its terms I may conclude that our proposal is not objected to by the Russian Government.

[11080]

No. 204.

Sir Edward Grey to Sir G. Louther.

(No. 76.)

(Telegraphic.) P.

Foreign Office, March 28, 1911.

THERE is a parliamentary question on the 29th March, regarding the financial arrangement arrived at respecting the sections of railway between Bagdad and the Persian Gulf, and the nature of compensation which company secures in return for renunciation.

I should therefore be pleased if you would telegraph substance of communication promised you by Minister for Foreign Affairs (see your despatch No. 183 of the 22nd March).

[11438]

No. 205.

Sir G. Louther to Sir Edward Grey.—(Received March 29.)

(No. 190. Confidential.)

Sir,

Pera, March 23, 1911.

IN continuation of my despatch No. 183, Confidential, of yesterday's date, I have the honour to transmit the text of the declaration made by the Bagdad Railway Company renouncing its rights conditionally to the Bagdad Gulf section and the ports of Bussorah and the terminus. This was handed to me to-day by Rifaat Pasha, with the assurance that, though not verbatim, it was practically the text, and that there was nothing beyond this. His Excellency, in reply to my enquiry as to a rumour to the effect that the Turkish Government had undertaken to keep the German Government fully informed as to the course of the negotiations with the British Government, declared that there was no truth whatever in the statement.

No renouncement of the right to build the port of Bagdad, provided for by article 22 of the convention of 1903, appears to have been made on the present occasion, and Rifaat Pasha did not know whether it had been the subject of negotiation.

With regard to the annual sum to be paid by the Turkish Government to the railway company for the construction and working of the Halif-Bagdad section, I enclosed a table, in my despatch already referred to, showing that the amount would be about £ T. 400,000, while the surplus receipts assigned by the Government should yield about £ T. 405,000.

This calculation was, however, based on the returns for one year (1910-11), and I have now had a further calculation made, taking the average results of tithe revenue surpluses for five years, without allowing for almost certain increase, which works out at considerably less in favour of the Government, for, as you will see from the enclosed memorandum, instead of there being a slight surplus, there is an apparent insufficiency of £ T. 208,000. This may have some academic interest.

I have, &c.

GERARD LOWTHER

Enclosure 1 in No. 205.

Declaration by Bagdad Railway Company.

LA Compagnie de Bagdad se désiste de sa concession de 400 à 500 kilom. de chemin de fer, à partir du Golfe Persique, ainsi qu'à sa concession d'un port à Bassora et dans le Golfe Persique, en faveur d'une nouvelle compagnie ottomane dans laquelle la Compagnie de Bagdad consent à être en minorité vis-à-vis du capital ottoman.

Néanmoins, elle tient à ce que sa participation soit égale à celle du capital d'une nation tierce non ottomane. En même temps, la Compagnie de Bagdad se réserve de s'entendre avec la nouvelle compagnie, ou avec l'État ottoman, pour demander une compensation pour la perte subie par elle par suite de sa renonciation aux 500 kilom. plus haut mentionnés, et dont la construction est plus facile et moins coûteuse que le restant de la ligne de Bagdad.

Enclosure 2 in No. 205.

*Statement respecting Payments by the Turkish Government to the
Bagdad Railway Company.*

THE revenues to be set aside for the payment of the annuity of the Halif-Bagdad section of the Bagdad Railway are, according to article 2 of the text of the new convention published in the "Tanin" of the 20th instant, the following :—

1. Government share of the surplus of the ceded revenues, not including the 3 per cent. customs surtax.
2. Surplus of the tithes already set aside for the service of the annuity of series 1—Konia—Eregli section.
3. Surplus of the tithe revenues earmarked for the payment of kilometric guarantees of the Anatolian lines, viz., Haidar Pasha—Angora and Eskishehr—Konia.

The Government share of the surplus of the ceded revenues for the year 1326 (1910-11), excluding the customs surtax of 3 per cent., is estimated at £1,600,000., and which may be taken as a basis for calculation.

2.—*Surplus of Tithes for first 200 kilom. of Bagdad Railway—Konia-Eregli Section.*

The annuity for this section is £ T. 97,118'90. To meet this the Government has assigned the following revenues:—

	£	T.
To be paid annually out of the tithes of the sanjaks of Aleppo and Urfa ..	70,000	
From tithes of the caza of Tcheshmé, Smyrna province ..	12,000	
" " Hillé, Bagdad province ..	12,000	
" " Mardin, Diarbekir province ..	6,000	
" " Mosul, Mosul province ..	6,000	
Total ..	106,000	

The annual collection of these revenues since 1905-6 has only once exceeded the annuity, and has never reached the amount estimated by Government. The total encashments in—

			£ T.	£ T.
1321 (1905-6)	were	..	76,198	or 20,922 short of the annuity.
1322 (1906-7)	"	..	87,287	"
1323 (1907-8)	"	..	93,495	"
1324 (1908-9)	"	..	86,759	"
1325 (1909-10)	"	..	103,105	" 7,985 more than the "

The deficiencies of each year, from 1905-6 to 1908-9, were made up from the surplus of the tithes set aside for the kilometric guarantees of the Anatolian lines.

It is, however, more than probable that the tithe revenues of the districts mentioned are considerably more than the fixed amount shown as the contributions of each

district. This assumption is confirmed by the figures of tithe returns given in the official almanac (Salnameh) of the Aleppo province for the year 1324 (1908-9) the tithes of the—

				Piastres.	£ T.
Aleppo sanjak are shown as	..	..	..	13,393,866	or 130,544
Urfa	..	..	..	2,958,000	.. 28,830
Total	..	..	..	..	159,374

out of which these two sanjaks only contribute £ T. 70,000 towards the annuity of £ T. 97,120.

3—Surplus of Tithes assigned to the Anatolian Lines.

Referring to Statement (A) annexed to the memorandum of the 21st February last on the subject of the surplus revenues at the disposal of the Government, it will be seen that the five years' average of the gross surpluses, after payment of kilometric guarantees, works out at £ T. 160,574, and for six years at £ T. 192,480.

The surpluses as far as are at present known are consequently:—

				£ T.
1.—Government share in surplus of ceded revenues	..	..	..	600,000
of interest on reserve fund	..	..	..	58,500
3.—Surplus tithes of Anatolian lines.	..	..	..	160,574
Total	..	..	..	819,074

The charges on these surpluses are the following:—

				£ T.
Annuity of 1904 loan of 4 per cent. to be paid out of the Government share	..	..	..	124,059
of surplus of ceded revenues	..	..	..	..
Annuity for Series 2 and 3, Bagdad Railway, Eregli-Halif section, also	..	..	..	420,000
from the surplus of ceded revenues	..	..	..	22,420
Working expenses of the Konia-Eregli section	..	..	..	..
Working expenses of the Eregli-Halif section at, say, 2,500 fr. per kilom.	..	..	..	93,330
for 840 kilom., 2,100,000 fr.	..	..	..	..
Total	..	..	..	659,809

The calculation will stand thus—

Nos. 1 and 3 surpluses amount to	..	..	..	819,074
Charges amount to	..	..	..	659,809
Liquid surplus	..	..	..	159,265

The section, Halif-Bagdad, of 600 kilom. will require an annuity of about.. 300,000
Working expenses at 2,500 fr. .. 66,600

Total	366,600
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And there is therefore an apparent insufficiency of some £ T. 208,000 which will have to be provided for from the surpluses of the tithe revenues allotted to the payment of the annuity of the Konia-Eregli section, and out of any increase of revenues which may be realised by the time the whole line is finished.

[11420]

No. 206.

Sir G. Locher to Sir Eduard Grey.—(Received March 29.)

(No. 70.)

(Telegraphic.) P.

Constantinople, March 29, 1911.

BAGDAD Railway.

You should receive to-day the communication referred to in your telegram No. 76 of to-day's date; it was dispatched from here on the 25th instant.

The following is résumé of its contents:—

A new company is to be formed for the construction of 400 or 500 kilom. of line between Bagdad and the Gulf, and of ports in the Persian Gulf and at Bussorah, the Bagdad Company having renounced its right to execute these works.

The Bagdad Company, however, makes condition that its participation in the new

[11570]

No. 207*.

Sir G. Barclay to Sir Edward Grey.—(Received March 29.)

(No. 99.)

(Telegraphic.) P.

Tehran, March 29, 1911.

RAILWAYS. Reference to your telegram No. 91.

I had believed that if a private British house asked for the concession application would be more favourably received than if it came from His Majesty's Government direct. The Regent's attitude (please refer to my telegram No. 96 of the 27th March) has, however, completely changed the situation. Furthermore, the success of a private company in this direction might complicate the discussion desired by the Russian Government before the concession is executed.

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company, while it may not be less than the Ottoman share, shall be equal to any other Power taking part in the undertaking. As regards the question of compensation for the renunciation of the Bagdad-Gulf section, the Bagdad Company reserves the right of coming to an agreement with the new company.

It is understood that this compensation will take the form of a money payment, and that the expense which it is claimed has been incurred by the Bagdad Railway Company in excess of the construction guarantee on the more costly sections of the Konieh-Bagdad line shall be thereby made good.

[11573]

No. 207.

Sir G. Lowther to Sir Edward Grey.—(Received March 29.)

(No. 71. Confidential.)

(Telegraphic.) P.

Constantinople, March 29, 1911.

BAGDAD-BUSSORAH Railway.

With reference to your telegram No. 75 of the 27th instant, the two routes considered by Money are:—

1. The German *tracé* which crosses the Euphrates at El Badij and proceeds thence via Kerbela, following the right bank of that river. This route is the shortest and cheapest. It will carry the Kerbela and Nejef pilgrim traffic; it is, however, not well placed for serving the area to be irrigated.

2. A line which follows the right bank of the Tigris as far as Kut-el-Amara, and proceeds thence along the line of the Hai River, at which point it crosses the Euphrates and then follows the German *tracé*. This route would run on the embankment which Willcocks proposed, and is a little more expensive if constructed after the irrigation works have been carried out, while if constructed before these works it will be necessary to make a bank for the railway. There would result a substantial, though not prohibitive, cost. It would, however, as regards the irrigated area, be better placed, as no large river intervenes. It would be at a considerable distance from the regions which will benefit by the Hindié barrage, as these lie nearer to the Euphrates river. A supplementary system of light railways would probably be required in order properly to serve the area ultimately to be irrigated in both cases.

As Willcocks's plans are frequently changing, Sir Henry Babington Smith finds it difficult to give any decided opinion, but the fact that the German *tracé* is independent of the precise nature of the irrigation schemes is, in his eyes, a great advantage.

[11422]

No. 208.

Sir Edward Grey to Sir G. Barclay.

(No. 96.)

(Telegraphic.) P.

Foreign Office, March 29, 1911.

MOHAMMERAH-KHOREMABAD line.

Petersburgh telegram No. 74 of the 28th March.

Unless you consider such action inopportune at the present juncture, you should make an application for a concession for a railway from Khor Musa to Khoremad, with option to build a branch to Mohammerah, and for a port at Khor Musa. In view of impending discussions in regard to British participation in Bagdad Railway, it is useful that we should obtain option to build line to Khoremad as soon as possible, and it therefore appears desirable to make our application before beginning the discussion referred to in your telegram No. 96 of the 27th March. Presumably Russian Minister will ascertain the views of his Government, but there would be no objection, if Russian Government concur in Regent's proposal, to entering on the joint discussion with Regent respecting a general scheme of railway development immediately after you have made the application.

You should be careful in making application for Khoremad line to emphasise the fact that all we want in the first instance is an option, and that details can be settled subsequently. I leave it to you to decide whether it would be expedient to refer specifically, in the course of negotiations, to Shah's pledges as to British preferential rights in South Persia.

[1773]

3 A

[11422]

No. 209.

Sir Edward Grey to Sir G. Buchanan.

(No. 106.)

(Telegraphic.) P.

Foreign Office, March 29, 1911.

ACTING Minister for Foreign Affairs should be warmly thanked for his friendly attitude as reported in your telegram No. 74.

[11573]

No. 210.

Sir Edward Grey to Sir G. Lowther.

(No. 80.)

(Telegraphic.) P.

Foreign Office, March 29, 1911.

ARE there two places called El Badj on main line?

War Office are preparing map for Blue Book showing El Badj to be on Tigris about where 34th parallel intersects 44th degree of longitude, but according to your telegram No. 71 it is on the Euphrates.

Please telegraph precise position.

[11021]

No. 211.

Foreign Office to India Office.

Sir,

Foreign Office, March 29, 1911.

WITH reference to your letter of the 18th March relative to a rumour to the effect that the Germans are endeavouring to obtain a lien on Ras Tanura as a terminus for the Bagdad Railway, I am directed by Secretary Sir Edward Grey to transmit to you herewith copies of telegraphic correspondence exchanged with His Majesty's Ambassador at Constantinople on the subject.*

I am to suggest that an attempt may be made to discover the name of the British India captain who supplied the information with a view to assist the enquiries of His Majesty's consul at Bassorah.

I am, &c.

LOUIS MALLET.

[11602]

No. 212.

Mr. E. Grant Duff to Sir Edward Grey.—(Received March 30.)

(No. 12.)

Sir,

Budapest, March 27, 1911.

I HAVE the honour to transmit herewith a translation of an article by Professor Vámbéry, from the "Pester Lloyd" of the 28th instant, on the subject of England's position at Koweit.

I have, &c.

EVELYN GRANT DUFF.

Enclosure in No. 212.

Extract from the "Pester Lloyd" of March 25, 1911.

KOWEIT.

(Translation.)

THE latest apple of discord, with regard to which three of the Great Powers of Europe are interested, in the political field of Asia is called Koweit, which means in Arabic a small fort. It owes its existence to some adventurous and plundering Arabs, who carried on the locally honoured profession of piracy rather too zealously, and were obliged by the Bassorah authorities to go further afield. According to another account,

* To Sir G. Lowther, No. 67, Telegraphic; Sir G. Lowther, No. 68, Telegraphic.

which we borrow from one of the Midhat Pasha's memoranda on the subject, the first settlers, who belonged to the Mateir tribe, came to Koweit from the Hedjaz 500 years ago, under the leadership of a certain Sabah. The family of that leader is still at the head of the population, and for this reason the present Sheikh Mubarek is, when called by his full name, Mubarek-es-Sabah. We do not propose to enquire how the former pirate colony became a flourishing port of more than 20,000 inhabitants, who, in the absence of arable land, mostly took to commerce and a maritime life. Koweit possesses over 2,000 large and small craft, which carry on trade with Bombay and Zanzibar, and take an important part in the pearl fishery. Strangely enough, the sheikh and his Government have a reputation for justice. No one is molested in his territory, or burdened with special taxes and tribute. This, the largest and safest harbour in the Persian Gulf, attracted the attention of the western countries, and especially England, as early as the beginning of last century, at the moment when the English determined to rid the Gulf of the numerous pirates, and thus protect trade with Persia and Mesopotamia. Colonel Pelly, the British resident in the Persian Gulf, visited Koweit in 1863 and 1865, and in his official report of 1874 gives us the first insight into local conditions. In the first place he deals with the political position of the Sheikh of Koweit, and examines the question of whether his Highness is independent or tributary of Turkey, or whether he is under British protection, as has for some time been the case. This question, naturally, is closely connected with the building of the Bagdad Railway, or, more accurately, with the terminus of that line. The harbour of Koweit is far the best in the whole gulf, and therefore the most suitable for commerce with Constantinople, Bagdad, Bussorah, and Bombay, while the harbour of Chor Abdullah, on the east coast of Babian Island, is smaller and only 4 fathoms deep.

The superiority of Koweit in this respect is what lends great significance to the whole matter, not only for economic but chiefly for political reasons, which are of vital importance. Without wishing to take sides for one party or the other, it must be admitted that the problem of her future position in the Persian Gulf is, having regard to India, one of paramount importance for England. It need only be observed that the Portuguese, the Dutch, and the Turks under Soleyman the Magnificent inaugurated and directed their Indian policy from the Persian Gulf. At the present time England could not permit a European Power to occupy a dominating position in the Persian Gulf, without thereby tempting it to approach the west coast of India, and she must therefore of necessity keep her supremacy as regards this point. England in Koweit, if not as possessor, at least as protector of the independent sheikh, must oppose any aggression. In other words, she can permit no naval Power in the Gulf which, even in the far future, might threaten India, the Achilles heel of her position as a Great Power. In present conditions there are two Powers which call in question England's right in this respect, and which are able and desirous of laying claims to Koweit. The first of these Powers is the Ottoman Empire, which, in the first half of the last century—I think in the forties—when Namich Pasha was Vali of Bagdad, desired to overthrow the Sheikh of Koweit and annex his territory to the province of Bassorah. The scheme then failed. Koweit, which up to that time had enjoyed freedom, refused to hear of tribute and customs, and a second attempt during Midhat Pasha's governorship also failed. Although Koweit enjoyed immunity from taxation, and Turkey professed to be contented with her nominal independence, nothing was changed. The Turkish flag indeed for a time flew on the fort, but the sheikh considered himself, and behaved as, an independent sovereign who only recognised the Sultan in his religious capacity as Khalif. If Turkey now intended to make effective her right of possession, dating from the time of Sultan Soleyman, no one could dispute it from the legal point of view. It would, however, be neither wise nor advantageous to quarrel with England on the question, as Koweit has never paid a farthing tribute to the Porte; her ships formerly flew first the Dutch and then the British flag, and she would have no more to say to Turkish sovereignty than Nedj, Bahrein, or any of the places on the east coast of Arabia. With the Turks England will be able all the more easily to come to an agreement because, as has been recently rumoured, the Bagdad-Bussorah section of the line will be handed over to a special international company, which will of course respect England's treaty with the sheikh without morally injuring the position of Turkey. There remains the second Power, Germany, which, on account of the concession of 1903, feels she has a right to extend the railway south of Bagdad to the shores of the Persian Gulf, and is said, even, to have already taken steps with that end. When Consul-General Stemrich, in 1900, was sent with a commission to study the prospected railway, that commission proceeded as far as Koweit, and till quite lately it was thought that Germany would insist on the extension to the Gulf. The news is therefore all the more

satisfactory that Germany, in return for other concessions, has given up the idea of a southerly extension, and has come to an agreement with Russia with regard to the section to Khanekin. Germany has, by doing this, given a rare example of ability and moderation. In the first place, Germany has proved, *urbi et orbi*, that in Asia Minor she is only actuated by purely economic motives, that the political designs attributed to her, among others, of colonising Anatolia belong to the domain of fancy, and that the peaceful development of our civilisation in the Near East is what lies close to her heart. Secondly, an end has been put to the continual pin-pricks and friction between England and Germany. Germany does not desire to get in England's way, or to seize the fruit of a century's fighting in the Persian Gulf, which has cost much blood and money, but wishes to lighten the task of civilising India for a people of kindred race.

This policy is not only praiseworthy, but exceedingly practical. Whatever be the course of events in Persia, the entry of a third European Power into this part of Asia might in the near future take such proportions as to be a source of great embarrassment not only to England but to Germany also. That Power is the only one which continues her conquests step by step, without pause, from her home base. She does not rely on the treacherous waves, but on her long chain of territorial possessions, and having once firmly set her foot in the whole northern half of Persia, her present game of precaution and delay will assume another form.

[10456]

No. 213.

Viscount Morley to Government of India.—(Received at Foreign Office, March 30.)

(Telegraphic.) P.

India Office, March 18, 1911.

BAGDAD Railway. Your telegram dated the 7th March.

Reference is invited to final sentence of my telegram dated the 3rd instant. Please let me have your views as to participation without control, provided that Koweit is absolutely secured in sense of your telegram dated the 23rd ultimo. Your observations are solicited on following points:—

1. Do you consider that by agreeing to enhanced customs for fixed periods only, condition being made that no differential rates shall be imposed, we might secure equal treatment for British trade?
2. Does it matter, from commercial point of view, whether we have 20 or 40 per cent. share, if we are not to have control?
3. Will not being left out altogether involve greater loss of prestige to us than getting only 20 per cent.? Apparently the alternative is to stand out, and to endeavour to make use of customs increase to buy out claims of Turks in Gulf and at Koweit.

Bussorah will in that case presumably be the terminus, and we must rely for our trade with Western Persia on line from Khorremabad to Mohammerah, if we get it.

Bagdad Railway will, however, still be built, supposing no friendly arrangement is reached, and as Turkish power consolidates difficulty of continuing our good offices to sheikh will be increased.

Reference is invited, in regard to Koweit itself, to fifth paragraph of memorandum dated the 21st March, 1902, by Lord Lansdowne, copy of which was enclosed in letter of the 11th April, 1902, from Secretary, Political Department, India Office, to Secretary to the Government of India, Foreign Department. Please let me have your definition of region to which our obligation extends, or please say whether general description of boundaries on p. 1059, &c., of "Persian Gulf Gazetteer" has your acceptance. Do Bubiyan and Warba cease to matter in event of Bunder Shweikh being railway terminus? Presumably no claim can be made to Um Kasr. As early a reply as possible is requested.

[11233]

No. 214.

Viscount Morley to Government of India.—(Received at Foreign Office March 30.)

(Telegraphic.) P.

India Office, March 23, 1911.

SIR G. LOWTHER telegraphed the 21st March regarding Bagdad Railway to following effect:—

"Signature took place to-day of three conventions, relating (1) to construction, to be completed in five years, of section from Halif to Bagdad; (2) to construction of Osmanié-Alexandretta branch; (3) to cession of construction and working of Alexandretta port to Haidar Pasha Port Company. By a declaration made the German company abandons the right to the section from Bagdad to the Persian Gulf, but maintains right to a share equal to that of any other foreign Power in the new company; the right to settle with company amount of indemnity for losses arising out of working expenses guaranteed on section to Gulf is also reserved to itself, and the right to ports at Bussorah and Gulf terminus is renounced."

[10801]

No. 215.

Government of India to Viscount Morley.—(Received at Foreign Office, March 30.)

(Telegraphic.) P.

Calcutta, March 23, 1911.

BAGDAD Railway. See your telegram dated the 18th instant. If Reuter is correct in stating that an agreement for internationalisation of Gulf section had been concluded between Germany and Turkey, and that a share equal to that of any other Power is to be given to the former, realisation of England's predominance on section in question is now never possible. From British point of view, therefore, a serious situation has arisen, and one which, failing the adoption of a firm and consistent policy in the Persian Gulf, is pregnant with possibilities to our detriment in future. To secure absolutely the position of Koweit in sense of our telegram dated the 7th March is the first and essential condition of such a policy. A complete surrender would be involved by any hesitation upon that point, and further encroachments would be encouraged by which new and worse difficulties with Sheikh of Bahrein, Trucial chiefs, and possibly Sultan of Muscat, would be created. Reference is invited to despatch dated the 15th ultimo, from His Majesty's Ambassador at Constantinople.

The following are my views in reply to enquiries as to participation numbered in your telegram:—

1. Non-imposition of differential rates against British trade can be insisted on by us with Turkish Government if Gulf section is to be an internationalised Turkish line. We should be surrendering an extremely powerful weapon for a very small return if we assented to enhanced duties for so small a concession. Until we have consented to pay enhanced duties, no other Power, it must be remembered, will agree to pay them. It is, consequently, essential to Turkey that we should be placated; and the loss which enhanced import duties would inflict on our general trade would be greater than that which our trade would incur were British trade even to be given differential treatment on Gulf section.

2. The greater our share of participation, even without control, the stronger our position for seeing that our trade receives just treatment.

3. Whether our share is nothing at all, or 20 per cent., will make little difference to our loss of prestige. Provided France had an equal share, and could be relied on to support our interests, it would be better to have 20 per cent. than nothing. But when our position in Southern Mesopotamia is placed on an equal footing with that of Germany and France, we obviously cannot fail to suffer great loss of prestige. Question is worth considering whether refusal to discuss the matter further with Turkey until a more reasonable attitude in regard to British interests is shown would not be the best and most dignified policy at the present moment. There is every indication that Turks are likely to make a forward movement on Persian Gulf littoral, and to come into conflict with us over our interests and rights in those regions. We have to decide whether it would not be best course that first opportunity of a Turkish forward move should be seized, and the move checked by using our naval forces to resist it. I propose to send separately reply without delay in regard to questions contained in penultimate paragraph of your telegram.

[1773]

3 B

[11719]

No. 216.

Sir G. Lowther to Sir Edward Grey.—(Received March 30.)

(No. 74.)

(Telegraphic.) P.

*Constantinople, March 30, 1911.***BAGDAD-BUSSORAH Railway.**

In reply to your telegram No. 80 of the 29th instant, the name El Badj is taken from the large scale plan prepared by Sir William Willcocks. It is the name of a small canal about 30 kilom. above Museyil, which leaves the right bank of the Euphrates 3 or 4 kilom. above the spot chosen for the railway crossing. Evidently on the main line *tracé* there are two places named El Badj. The actual crossing place over the Euphrates is correctly marked just above Khan Iskenderi on the War Office map T.S.G.S. 2209, November 1907.

[12280]

No. 217.

Memorandum by Mr. Parker.

AT the meeting which took place this morning it was decided that the reply to the Turkish proposals should be drafted on the following lines:—

The assent of His Majesty's Government to the customs increase shall be given for a fixed period, subject to the following conditions:—

(a.) The assent of all other Powers, and especially France and Russia, must be secured to the increase.

(b.) A new Turkish company shall be formed for the line south of Bagdad. Of the capital of this company, which shall arrange both for the construction and the working of the line, 50 per cent. shall be British and the remainder German or Turco-German.

(c.) There shall be two British members on the Board, and the chairman shall, in alternate years, be British.

(d.) There shall be no sort of discrimination in freight rates on any railway in Asiatic Turkey connected with Bagdad.

(e.) The British representation on the Board shall *always* be kept up to a fixed minimum.

(f.) Fifty per cent. of the capital of the line south of Bagdad shall be retained in the hands of British shareholders, and, in order to secure this, some arrangement such as a right of pre-emption at 5 per cent. above par, to vest in the Bank of England, shall be drawn up by the Board of Trade.

(g.) The above arrangements shall not be subject to a concession granted for a limited time, but shall be continued so long as the enhanced customs duties are levied by Turkey.

(h.) The railway terminus shall be at Koweit.

(i.) The policing of the port of Koweit, both ashore and afloat, shall be carried out, in the interests of international trade, by the agents of the Sheikh of Koweit, under the direction of British officers of experience.

(j.) Koweit shall in no circumstances be fortified.

(k.) The harbour of Koweit shall be constructed by British contractors, and it shall be built on land to be leased for this purpose by the British Government and controlled by a separate company.

(l.) Harbour dues, on a scale to be determined, shall be arranged, and the net proceeds of those dues shall be divided in equal portions between the sheikh and the harbour company, which shall be British.

(m.) The territorial *status quo* of Koweit shall be guaranteed by Turkey and Great Britain.

(n.) An arrangement shall be made for the levy, in the interests of Turkey, of customs dues on all through traffic entering Turkey through the port of Koweit.

(o.) The administration of local affairs at Koweit shall remain, as heretofore, in the hands of the sheikh or his successors.

(p.) The suzerainty of the Sultan of Turkey over Koweit shall be recognised, and the limits of the sheikh's jurisdiction defined (territorially).

(q.) The sheikh shall take out Turkish nationality certificates in the names of his

sons. (This was, I think, agreed to by the Government of India. It would also facilitate the matters relating to the sheikh's Turkish date properties.)

(r.) Koweitis resident abroad shall enjoy Turkish consular protection.

(s.) No fortified base or naval arsenal shall ever be created on the shores of the Persian Gulf.

(t.) The southernmost limit of Turkish jurisdiction on the littoral of the Persian Gulf is Ujeir, in the district of El Katif. The Ottoman Government shall renounce all claim to the supremacy over any point on the littoral of the Persian Gulf south of that point or to the island of Bahrein, Moharrog, Zakhuniyeh, or adjacent islands.

(u.) His Majesty's Government and the Turkish Government both undertake to recognise the territorial *status quo* on the littoral of the Persian Gulf.

(v.) Bahreinis in Turkish territory shall enjoy British consular protection.

(w.) Subjects of the trucial chiefs and of the Sultan of Muscat who may be resident in Turkey shall enjoy British consular protection.

(x.) There shall be no interference with existing buoys and beacons, or with the erection, should such be required for purposes of navigation, of beacons or fixed lights on the coasts of the Gulf by British agency.

(y.) The Persian Gulf shall be open to the navigation of all countries.

(z.) Existing restrictions on the borrowing powers of Egypt shall be removed.

ALWYN PARKER.

Foreign Office, March 30, 1911.

[11570]

No. 218.

Sir Edward Grey to Sir G. Barclay.

(No. 98.)

(Telegraphic.) P.

Foreign Office, March 30, 1911.

WITH reference to negotiations between Persian Transport Company and Persian Government (see my telegram No. 91), I am informing Company confidentially that we will not lose sight of assurances contained in previous letters to them from this Office, but that at present we would deprecate application for railway concessions by them or by anyone else.

You should act in the sense of the second part of this answer if any other British applicant comes forward.

[11773]

No. 219.

Extract from "Parliamentary Debates" of March 22.—(Received at Foreign Office March 31, 1911.)

Debate in the House of Lords respecting Persia and Turkey in Asia, March 22, 1911.

[An asterisk (*) at the commencement of a Speech indicates revision by the Peer.]

*Lord Curzon of Kedleston rose to call attention to the state of affairs in Persia, the Persian Gulf, and Turkey in Asia, in relation more particularly to the construction of railways and to international agreements; to enquire as to the policy of His Majesty's Government; and to move for papers.

The noble Lord said: My Lords, I am sure that your Lordships will greatly regret, on this occasion as much as on any other, the absence of Lord Lansdowne from this bench, because he happens to be more conversant with one of the subjects, at any rate, to which it will be my duty to call your Lordships' attention—namely, the Bagdad Railway—than any other member of this House. The object of my motion is to elicit information from His Majesty's Government on subjects which I think I shall have no difficulty in showing are of great importance to this country. I hope the noble Viscount who is to follow me will pardon me if my remarks to some extent take the form of questions. Those questions will certainly not be asked in any spirit of idle curiosity, but from an honest and legitimate desire to obtain information which is not available to us from other sources except the press, the information contained in which, although surprisingly wide is, of course, from the necessities of the case, not invariably accurate.

I am not sure that your Lordships' House has not been rather too sparing in recent years in initiating debates on matters of high politics, more especially in relation to foreign affairs. I do not think we have had a single debate on any aspect of what I may call the Central Asian question since the debate on the Anglo-Russian agreement in the beginning of 1908. Any reluctance that may have been felt on our part to initiate discussion has sprung in part from an honourable desire not to embarrass or to challenge the conduct of affairs by His Majesty's Ministers, and it has also been partly due to the fact that since the unfortunate retirement of Lord Fitzmaurice, who very ably represented the Foreign Office, we have never had a direct representative of the Foreign Office in this House of Parliament. I venture, with all respect, to say that this is a great inconvenience to your Lordship's House, and that on constitutional grounds it represents a most undesirable innovation. I believe that within the memory of the oldest of us, and much beyond that, there has never been an occasion on which the Foreign Office has not had a spokesman in this House. No doubt that has been largely due to the fact that the Foreign Secretary has usually been a peer; but the accident that the present Secretary of State for Foreign Affairs is in the House of Commons—and we do not grudge his presence there—surely ought not to be made a reason for penalising your Lordships' House or for disabling us in any form from that inner knowledge of foreign affairs which can only accrue from the presence of a direct representative of the Foreign Office. I hope that nothing I am saying will be held to involve the smallest disparagement of the services of noble Lords on the Front Bench opposite. We have all of us admired the ability and grasp with which the leader of this House, Lord Crewe, has on many occasions spoken for departments not his own—spoken for them with an authority and lucidity that could scarcely have been equalled by a representative of the department itself; and certainly to-night I am the last to complain, because the spokesman for the Government is to be the noble Viscount opposite, who has a peculiar right from his long tenure of office in connection with India to speak on every one of the subjects I am about to raise. But, after all, no man can speak adequately for an office without the inner knowledge that is acquired inside it. I submit that as a matter of constitutional practice your Lordships are entitled as a still equal and co-ordinate branch of the Legislature, whatever may happen in the future, to first-hand information on foreign affairs; and I very much regret that among the peers whom the Prime Minister sends up to this House and who adorn the benches opposite there is not to be found an accredited representative of the Foreign Office who can speak to us with the intimate knowledge that presence in the Office alone can give. I do not desire to labour the point, and I hope the noble Viscount will pardon the digression I have made, and which has no reference whatever to himself.

The notice which I have placed on the paper is confined to that part of Asia which is commonly called the Middle East, and it raises questions connected with three portions of those territories—Persia, the Persian Gulf, and Turkey in Asia. In all these regions important events have occurred during the past few years, events which, I think, though apparently separate, are closely connected in their operation and their consequences. In some of these events India has been primarily and directly concerned, in others indirectly, but in the majority of cases they have had relation to the sphere of foreign affairs.

The first subject to which I venture to allude is the condition of Persia. Persia has been passing through troublous times; she has deposed a sovereign, and given birth to a constitution; she has been confronted with financial embarrassments, with internal disorder, and with conditions that have almost threatened disruption of the social and political fabric of the country. These symptoms have naturally been viewed with concern, and, I am sure, with sympathetic concern, in this country, but in Southern Persia and in South-Eastern Persia, where the interests of our trade are so important, and where so much British and Indian capital is sunk, it is not unnatural that that concern should have assumed a more active and more vivid form. The condition of affairs in the southern part of Persia, between Ispahan and the sea, and, indeed, in the whole hinterland of the Gulf ports in the latter part of 1910, was one scarcely distinguishable from anarchy. The local Governments almost ceased to exercise their functions, governors were besieged in their houses; at one port, Lingah, the town was saved from being sacked only by an appeal being addressed to a British naval force to land on the shore, caravans were attacked, the mails were looted, telegraph-wires were cut, trade was paralysed, and bands of lawless tribesmen wandered about the interior doing pretty much what they liked. That, in a few words, is a fair description of the state of affairs about six months or a year ago.

It was in these circumstances that in October last year His Majesty's Government sent a note to the Persian Government indicating to them that unless within the space of three months security could be re-established on the trade routes the British Government would be called upon to raise a force of militia in Persia itself, which would be commanded by officers from India, where it is easy to find men who have great experience in that sort of work. At the time this was described in some quarters as a harsh and high-handed proceeding on the part of His Majesty's Government. They were accused of sinister designs on the integrity of Persia and the independence of the Persian Government. I am convinced that such designs were never for a moment entertained. I am confident that the integrity and independence of Persia, which were guaranteed by His Majesty's Government in the preamble to the Anglo-Russian Agreement of 1907, have no stauncher friends than His Majesty's present Government. I therefore desire to dissociate myself from those attacks. I believe that, as friends of Persia, His Majesty's Government were anxious only to give a warning to the Persian Government that a continuance of the existing state of affairs was really injurious to the interests of both, and to provide a stimulus to the Persian Government to do for themselves what might otherwise have to be done for them. At the end of three months the condition of affairs was reported to be better, and the improvement was held to be sufficient to justify an extension of the probationary period which had been named. I am sure we were all very glad to be acquainted with this news, and the first question that I desire to put to the noble Viscount is this: What is the present state of affairs in Southern Persia; have the trade routes been reopened; has security been re-established; has the Central Government been enabled to vindicate law and order; and is there hope that friendly relations between Persia and His Majesty's Government will continue, and that the alternative threatened will not have to be carried into execution?

I should like to say for myself, and I am sure that what I say will be echoed on both sides of the House, that we are warmly interested in the success of the new Persian régime. There has just entered into office in Persia in the supremely responsible post of Regent in that country a statesman who is a personal friend of my own. He was an under-graduate with me at the same college at Oxford, and I know him not merely to possess the highest abilities, but to be actuated by the most sincere and lofty patriotism in the interests of his country. I speak of the Nasr-ul-Mulk. He appears to have entered upon his functions there with great courage and under the happiest auspices. I hope he will receive at the hands of His Majesty's Government every support they can properly and legitimately give him, not merely on the personal grounds which I have mentioned, but because we all of us desire that the constitutional experiment which is being made in Persia—and constitutions are not born without a painful travail—should be successful, that the Persian kingdom should retain the independence which it has enjoyed for so many centuries, and that not merely our own subjects, in whom, of course, we are chiefly concerned, but the subjects of the Shah himself should enjoy the blessings of peace and order.

The next subject to which I invite your attention is that of the Persian Gulf, and here I am dealing with what is primarily an Indian subject, because I propose to refer to the arms traffic which has in recent years sprung up with such dangerous scope and with such deplorable results in that region. The Gulf is, of course, the base of operations, but the range of influence of this iniquitous traffic extends right away to the mountain border of India. Your Lordships are probably aware of the great and serious peril that is growing up on that frontier owing to the armament of the tribesmen. Where in the old days when first I went to India they were armed with primitive muskets of their own manufacture or with a small number of superior weapons which they had stolen from our troops across the frontier, they are now equipped with first-class weapons, magazine rifles, for the most part of French or Belgian manufacture, which they obtain by overland communication from the Persian Gulf. I believe that no fewer than 150,000 of these rifles are in the possession of the tribesmen on the British side of the frontier in India. How many are on the Afghan side I would shrink from saying. But I have been told that in 1910 alone as many as 20,000 of the latest magazine rifles and 1,000,000 rounds of ammunition made their way from the Gulf to the regions to which I have referred. These rifles come from Europe, and the "entrepôt" of distribution is the port of Muscat, which is the capital of the protected State of Oman. Under the shelter of treaties, to which I shall presently refer, swift dhows embark cargoes of these arms in or outside the waters of Muscat. They run before the wind to the opposite coast of the Gulf, and there they land them upon the coast, where bands of confederates are lurking in convenient places to receive them. The caravans disappear into the interior, and the

next thing that we hear is that a British soldier or an Indian soldier several hundred miles away has been killed by a bullet from one of these rifles on the frontier of India. It is only recently that this trade has attained to really alarming dimensions, and I cannot help thinking—though in this I am open to correction—that His Majesty's Government must have been rather supine in the earlier stages of the traffic.

More lately, however, and especially during the time the noble Viscount was at the India Office, there has been a great awakening, and I have no words of praise too warm for the systematic and vigorous attempts that have been made by the East India squadron during the past year to curtail this nefarious traffic. It was in the course of these proceedings that in December last there occurred an incident which resulted, I am sorry to say, in the death of five English marines and sailors and eight wounded. This took place at a small spot named Debai, on that part of the southern shore of the Persian Gulf which is commonly known as the pirate coast, a name that bespeaks the occupation of the people before the *pax Britannica* came on the scene. When I was in India I was called upon to conclude treaties with all the chiefs on this coast to prevent the import of these arms, and the sheikh of Debai, where this incident happened, was one of the chiefs who signed those treaties. I believe what happened was this, that owing to the great difficulty of exporting arms from Muscat the trade was shifted to Debai. Our naval officers hearing that a consignment of arms had been landed there went ashore in order to capture them, and it was then that this unfortunate collision took place. I have heard that an ultimatum was presented to the chief, with which he complied. But the questions which I should like to put to the noble Viscount are these: (1) Was the sheikh himself implicated in the business? (2) What was the end of the whole transaction? and (3) Is there any reason to suppose that the treaties to which I have alluded have been broken anywhere else on that coast? It would be a deplorable thing if there were any breakdown in those arrangements of maritime police which have been successfully enforced by the British Government in these waters for the last fifty years.

There is another pertinent question I should like to ask the noble Viscount. Is he quite satisfied that the ships of the East India squadron are entirely suited for the purposes of the patrol which they have to carry on? My own impression is that we want a special character of vessel, of very swift speed and of very small draught, in order to pursue these dhows running before the wind and to catch them as they shoot into the shallows and creeks of the opposite coast. The ships of the East India squadron that I saw were not, in my opinion, suitable for that task, and I believe any special expenditure that was incurred upon that object would be more than repaid in the great saving of life and in the political results that would ensue.

But before I pass from this subject there is another and bigger question behind—To what is the enormous expansion of this illicit traffic due? Every State around the Persian Gulf, with the exception of Oman, has joined in the prohibition of the arms trade. The State of Oman alone stands aloof. The Sultan of that State—I know it, because he told me so himself—is willing and anxious to join in the prohibition. But he is precluded from doing so by treaties, concluded fifty years ago under entirely different circumstances, between himself and France, the United States, and Holland. We may eliminate from our consideration the two latter, because they have nothing now to do with this case. In the case of France, however, there are French subjects and traders representing considerable commercial interests engaged in this traffic at Muscat, and because of that fact this disastrous state of affairs, with the consequences that I have described, is permitted to continue.

While I was in India the Government at home did their best to induce the French Government to forgo its privileges in this respect. Since then I believe that His Majesty's Government have done the same, and that there have been more than one international conference upon the matter. I do not know what precise form the negotiations have taken, but I believe they have failed in their result, and I have read that if they received territorial compensation elsewhere the French would be prepared to give way. I should be inclined, if I had any right to do so, to make an appeal to the French Government and to the French nation. I might appeal to them as a nation united by ties of the closest amity to ourselves, an amity to which in recent years we have given convincing proofs of the most loyal attachment. But I think I would prefer to appeal to them, if the appeal is not impertinent, as a nation pre-eminently distinguished for a fine sense of chivalry, humanity, and justice, and as a nation which has exercised a great and permanent moral influence upon mankind, to aid us in putting an end to this traffic. If the French treaties at Muscat of which I speak

were abrogated and the port of Muscat were closed to this traffic, the entire arms trade in the Gulf would collapse to-morrow and the whole of this traffic, so pernicious in its character, so hard in the privations that it imposes upon our sailors, so dangerous in its effects upon the tribesmen hundreds of miles away upon our Indian frontier, would perish at its source. My Lords, is not this a strong case? May we not reasonably ask the French Government to consider this matter from the wider rather than from the narrower standpoint, and to beg them to defer to those lofty sentiments which have so often inspired their action in public affairs? I say no more upon that point, and I hope that the few remarks I have made will not be distasteful to the members of His Majesty's Government or to the noble Viscount who is to follow me.

Now I pass from these subjects to one which is, perhaps, more likely to interest the great majority of your Lordships' House. I refer to the questions connected with the upper end of the Persian Gulf, about which the noble Viscount has been kind enough to lay upon the table of the House these abundant and illuminating maps, and more especially I refer, of course, to the Bagdad Railway. I need not ask your Lordships to accompany me into the old days of the history of the Bagdad Railway. We all know that seventy years ago or more this was a project that excited great interest in this country, that it was first projected by English authorities and engineers, and that as lately as 1872, I think, a Committee of the House of Commons, presided over by Sir Stafford Northcote, reported in favour of the construction of such a line. In those days it was regarded as a means of communication with and as a protection for India. But since then circumstances have changed, and the entire political perspective is now different. It was about twenty years ago that Germany entered upon that policy of railway construction in Asia Minor which has gradually resulted in every railway in those portions of the Turkish Empire, except the Smyrna-Aidin Railway, which still remains a British concern, passing into German hands.

The present situation dates from a more recent period, from the year 1903, when a Convention was concluded at Constantinople between the Turkish Government and the Anatolian Railway Company for an extension of the line from Konieh, in the heart of Asia Minor, to Bagdad and Bussorah, and to a port then unnamed on the Persian Gulf. At that time the Unionist party was in office, and Lord Lansdowne was Secretary of State for Foreign Affairs. No papers on the subject were laid before Parliament; but you will find in the statements that were made by Mr. Balfour in the House of Commons on the 23rd April, 1903, and the still more famous statement made by Lord Lansdowne in this House on the 5th May, 1903, a full account of the considerations which actuated the policy of His Majesty's Government at that time. It is quite clear that they took up no hostile attitude towards the railway. Their financial co-operation was desired by the promoters, and they entered into communication with the heads of important financial houses on the subject. It appears from what passed that His Majesty's Government did not object in principle to the construction of the line; that they were willing to agree to an increase in the Turkish Customs Tariff which was necessary in order to raise the loans required for the construction of the line; and that they were prepared to consider the question of sending the Indian mails by that route, and also the question of a terminus on the Persian Gulf at Koweit. They decided, however, that if they were to support the line, the whole of it must be under international control, that an equal share must be given to all the great Powers taking part in respect of capital, materials of construction, and of management when constructed. It was only when those conditions were not satisfied that His Majesty's Government receded, with much regret, I believe, from the negotiations into which they had entered. It will be remembered that their attitude was affected to a great extent by the expressions of public opinion in the Press and elsewhere at that time. As soon as the text of the Convention was published in the "Times"—it was never laid as a Parliamentary Paper—considerable agitation arose in this country, and for my own part, viewing certain conditions of the convention, into which I will not enter in detail, but which related to the construction of ports at different points upon the river and in the Gulf, to the navigation of the rivers, and the control of the line, it was not surprising that in consequence of those conditions a good deal of public feeling was aroused. However that may be, His Majesty's Government decided not to pursue the negotiations. Whether that was a fortunate or unfortunate decision on their part it is not necessary now to discuss. The only pertinent fact, I think, is that in the circumstances it was inevitable, and it was ratified, as far as I know, not only by public opinion, but by all on both sides in politics in this country who were competent to decide. I am not aware that any criticism was directed against the then Government

by either side. However, that is a matter of bygone history, and I may pass on to more recent events.

Now, my Lords, what is the present position? As regards railway construction the progress during the past few years has not been great. The line has been carried to a point which you will see on either of these maps called Bulgurlu, a little beyond Ereğli in the southern part of Asia Minor, and there it has halted for the past six years; but quite recently an *Irâdê* has been issued for the extension of the line, and money, I believe, has been found for that work. Any one who has been in that part of the world knows that the construction of the most difficult part of the railway now lies before the promoters. They have the Taurus Range to cross, and other great difficulties to overcome. This is the moment when talk is heard of reviving negotiations. During the last day or two I have read in the newspapers of a fresh transaction which is alleged to have taken place in Constantinople, under which the Bagdad Railway, formerly known as the Anatolian Railway, is alleged to have surrendered its concession for the Gulf section, under certain conditions, in return for the grant of a line from Osmanieh, a place on the map a little south of the Taurus Range—

Viscount Morley of Blackburn.—It is not marked on the map, I am afraid.

Lord Curzon of Kedleston.—In return for the grant of a line from Osmanieh to the important and well-known port of Alexandretta. I do not know whether the information is authentic or the agreement concluded. If it is, all I can say is that it will be of very great advantage to the German company. They will gain access to an important port on the Mediterranean, and as far as I can see the whole of the trade of Mesopotamia, which has a westward trend, must find its outlet in that port. I do not think I need enter into that question except to ask the noble Viscount if he has any information to give us on the point. What more immediately concerns us is that, if the statements made are correct, the price alleged to be paid for this very notable concession is the surrender of the rights of the company in the Gulf end of the former line. If that is so, the position is very much easier, should it be the desire of His Majesty's Government to enter into a discussion with the Turkish Government or with any one else in regard to that branch of the subject.

The question which any one would naturally ask is—What are British interests in the Bagdad Railway? If we have no substantial interests in the matter, why should we bother ourselves about these transactions in a distant part of the world? The answer is that the interests of the British Government are twofold. In the first place, we have commercial and economic interests in every section of that railway from sea to sea—from the Mediterranean to the Gulf; and, secondly, political, strategic, and Imperial interests in those sections which are in the neighbourhood of the Persian Gulf. As to the first, over almost the whole of the area covered by the Bagdad Railway, British trade is predominant. We have to see, therefore, that British trade should not be subject to any differential treatment in the future. The Secretary of State for Foreign Affairs said in the House of Commons the other day that the original convention contains satisfactory assurances on that point. I am not quite clear as to that. A mere clause in the statutes of the company prohibiting differential rates may be of very little use in itself. It would be comparatively easy to frame a tariff favouring categories of goods which come mainly from Germany, as opposed to goods coming mainly from Great Britain and India. This has been done before in a case known to many of your Lordships, and I believe there are clauses in the "*cahier des charges*" of the railway which would permit of preference being given to the goods of one country over goods of another. Therefore I am a little suspicious on the matter, and I mention it in order to say that I hope His Majesty's Government will be alive to this aspect of the case. The money which is required can only be procured by their consent, and I hope that consent will not be given unless they are assured that our commercial interests will be protected over the whole of this area from the hostile and differential treatment which I have described as not impossible.

There is one branch of the projected railway about which I am not altogether happy—the branch which is to be made from Sadijeh, just north of Bagdad, to Khanikin on the Persian frontier. I know that this concession was part of the original convention, and that it has always been contemplated that when the railway reached the Persian frontier it should be connected with a line running into Persia itself. That is a matter with which we have a close concern. British goods coming up the Gulf in ships are sent up to Bagdad in boats, and then put on the backs of mules and ponies and carried over the mountains into Persia. This is a British trade amounting to 1,000,000*l.* a-year, while the whole trade of the other nations of Europe is not much more than one-tenth of that sum.

What is to happen to that trade in the future? I think that up to Bussorah and up to Bagdad by the river routes it will hold its own. As to what will happen on the middle section between Bagdad and Khanikin I am not quite certain. But I have a shrewd suspicion that when the Russian railway is complete from Tehran to the frontier, the whole of the trade of northern and central Persia, in so far as it goes down by the customary caravan routes to the southern ports, will be diverted to the new line. If that be so, the prospect for British trade is one which we cannot help regarding with some alarm. I hope His Majesty's Government will keep an open eye on this branch of the question, and will lose no opportunity of securing that fair treatment which the enormous preponderance of our commerce on that route entitles us to demand.

In the debate in the House of Commons on this subject about ten days ago Sir Edward Grey said that if we want to combat this route with advantage, British trade ought to make other routes, though he did not specify what they should be, and he rather blamed Mr. Balfour for not suggesting any alternative. With all respect, I would say it is not for the Opposition to make suggestions. The responsibility lies with His Majesty's Government; they are the custodians of our interests; they alone are thoroughly acquainted with the facts; and it is for them to put pressure on at the point where it is most likely to be successful. I do not want to press the noble Viscount to make any disclosures that might be inconvenient, but I should like to ask whether Sir Edward Grey's statement was merely a platonic enunciation of a general principle or whether it did point to any definite plan that is in the mind of His Majesty's Government?

Your Lordships know well that some years ago there was given to His Majesty's Government an autograph promise from the then Shah of Persia—Nasr-ud-Din Shah—that any Russian railway concession in the north of Persia would be balanced by a corresponding British railway concession in the south. That promise has been quoted more than once by Lord Lansdowne in this House, and it has been repeated by successive Persian Governments. It seems so me, therefore, that if a Russian railroad is to be constructed in the north leading down to Khanikin, the time is drawing near for the possible fulfilment of this pledge in the south, and I should like to know that His Majesty's Government are not losing sight of this question and that when the hour arrives they will not hesitate to take advantage of the opportunity thus created for them; I do not ask for more specific information unless the noble Viscount is disposed to give it.

My Lords, I said just now that our interests in the eastern end of the Bagdad Railway are political and strategic, and the proposition which I would submit is that these considerations start into being the moment we leave Bagdad. It would be a mistake to suppose that our political interests are confined to the Gulf. They are not confined to the Gulf; they are not confined to the region between the Gulf and Bussorah; they are not confined to the region between Bussorah and Bagdad; they extend over the whole region right away up to Bagdad. The navigation of the Tigris up to Bagdad has been for scores of years in the hands of a British company, cruelly handicapped, I fear, in recent years, but still holding its own. We have treaties with the Arab chieftains on the banks of the river not in Turkish territory. Nearly 90 per cent. of the trade that goes up to Bagdad is British and Indian. Large numbers of Indian subjects visit and live in the holy shrines of Kerbala and Nejef, and a constant stream of emigration runs between India and those places. In Bagdad itself we had a resident 100 years ago—eighty years before the representative of any other foreign Power appeared on the scene. There he has been ever since, with a gun-boat and an Indian guard. These evidences, which I might multiply, are sufficient to show that we exercise an influence in this portion of the territory at the end of the Gulf that entitles us to consideration and consultation in any question raised in connection with that end of the Bagdad Railway.

I am not called upon to discuss the treaty relations that exist between ourselves and the Sheikh of Koweit. As the Viceroy who negotiated that treaty I might have something to say on the subject, but I will merely say that, with all respect to the claims and pretensions of other Powers, our position cannot be ignored, and I am sure that His Majesty's Government, from what the Secretary of State for Foreign Affairs said the other day, may be relied upon not to surrender the advantages which we enjoy.

Our position in the Gulf, however, depends on very much more than on any treaties we may have concluded with individual chiefs. It rests upon the unassailable ground of our trade in the Gulf; upon our services there for the last 100 years; upon

the capital sunk; upon the naval position we keep up; upon the political predominance which we maintain; and, most of all, upon the fact that the Gulf is part of the maritime frontier of India, and that in the politics of the Gulf are involved the security, integrity, and peace of India itself. This is no new discovery, but an admitted truism accepted by all parties on both sides in both Houses of Parliament. It has been explicitly stated over and over again in both Houses. There was the famous statement of Lord Lansdowne, to which I have referred, in this House; there was the earlier statement by the noble Marquess who sits below me, Lord Salisbury; there have been more than one statement by Sir Edward Grey; and I have here a statement made by the late Sir Charles Dilke which I should like to quote as emanating from a man who disagreed with the views of many of those who sit in this House, but who was an almost unique authority on foreign affairs. Speaking in the House of Commons on the 8th April, 1903, Sir Charles Dilke said:—

"He hoped that the Government would most steadily maintain not only our privileged, but our monopoly-position in the Persian Gulf It was vital to our policy. If we should be tempted into introducing any foreign Power to the coast of the Persian Gulf so that there they might open up, at the head of the railway, a great naval station, we should have forced upon us the necessity of making an additional naval expenditure which it would be intolerable to have to face. It was far better to say at once, as we had said, that we would not tolerate the admission of any foreign Power on the Persian Gulf itself."

I need not labour the point. It is a foundation-principle of British policy that we cannot allow the growth of any rival or predominant political interest in the waters of the Gulf, not because it would affect our local prestige alone, but because it would have influences that would extend for many thousands of miles beyond. I venture to think that the assertion of this principle, even in its most emphatic form, is not, and need not be, antagonistic to the interests of any other Power in that part of the world. I imagine that it would be frankly accepted by Germany, and I have no knowledge that it has ever been disputed by her. I believe it to be compatible with a full and generous recognition of the sovereignty of Turkey in these parts. When we come to the upper end of the Gulf and to the district between Fao and Bagdad, to my mind a strong, prosperous, and independent Turkish Government, able to consolidate its power, to keep in check the unruly tribes on the bank, to guarantee the safety of the waterways, and to develop the immense potential resources of the Delta, is an object that ought to be one not merely of anxious solicitude, but of paramount necessity to a British Government. I can imagine nothing that is more essential to ourselves than a strong Turkish Government in these regions, and I am sure that this House would commend any steps taken to fortify the authority of the Turkish Government in that quarter, and that whether we enter into negotiations with Germany, or, as now seems more probable, with Turkey, there is nothing in our present claims or in our present position that is likely to be detrimental to the successful issue of any such negotiations.

My Lords, quite frankly, if I were to speak this afternoon as an Englishman alone, I do not think that I should be anxious to see the Bagdad Railway carried down to the Gulf. It will contain in itself elements of change, of novelty, and possibly of danger. I am not clear that it would benefit our trade; it might conceivably injure it. I have never convinced myself that it is desirable to continue the building of the railway beyond Bagdad, and certainly not beyond Bussorah, up to which I believe, even if a railway be there constructed, the trade will still go in boats. I doubt if the line from Bussorah to the Gulf, whether to Koweit or to whatever other port, will even pay the interest on the capital that is expended on it. These are my individual opinions for what they may be worth, and I know the country pretty well. But if, in spite of these opinions, the Turkish Government is resolved on the building of the railway in so far as it lies within its own territory, and if the railway can be built without serious financial risk, then I think His Majesty's Government are entirely entitled and are bound to enter into a discussion with them in a reasonable spirit, with a view, it may be, to arriving at some conclusion.

Sir Edward Grey said in the House of Commons ten days ago that we possess certain advantages in a discussion with Turkey. He pointed out that the increase of 4 per cent. in the customs duties which the Turkish Government are seeking cannot be conceded without our consent. He pointed out the position of vantage which we

enjoy at Koweit and the upper end of the Gulf. I agree with all he said, but, if anything, he understated rather than overstated our position. My belief is that the whole of the Bagdad Railway, from sea to sea, from the Mediterranean to the Gulf, cannot be built without access to the financial markets of Great Britain and France, and it is only by international co-operation between the various Great Powers concerned that the requisite security for the investment can be obtained. I doubt if it can be financed by any one Power alone, or if remunerative profits can be secured unless more than one Power is taken into co-operation in the matter. There are also great schemes afloat for the development and irrigation of other parts of the country, of Chaldea and of Mesopotamia. Every one of us would like to see these projects translated into effect, but those of us who have travelled there are inclined to wonder, if these works be executed, where the population is to come from to till the ground thus recovered and to revive the vanished glories of the past. Believe me, my Lords, there is a very long furrow to be hoed before the end is in sight. I do not make these remarks in the slightest degree to deprecate or depreciate the scheme, but I do utter them from some slight knowledge of the facts in order to modify the exaggerated anticipations entertained in many quarters and to indicate more strongly than anything else that without British support it is more than doubtful if any of these schemes will see the light of fruition. It is not for me to attempt to indicate methods of construction or control that might have to be adopted if the Gulf section of the line were built. Many plans are discussed in the newspapers. I confess that the proposal of an international system, with its costly board of management and its constant potentialities of friction, is not one that excites my enthusiasm. His Majesty's Government may have their own views about the matter. I do not presume to dictate to them. My own position is simply this, that whatever method of construction of the Gulf section, if it be built, they may favour, I hope they will see that the predominance of our interests is maintained, and that nothing is done to impair or whittle away or derogate from the rights which I have described.

Before I conclude there is one subject about which I shall say little, because I know little, but about which it is impossible to be altogether silent. I allude to the alleged agreement between Russia and Germany entered upon, if not concluded, at Potsdam in November last. Several versions of this agreement have appeared in the newspapers. I am quite prepared to believe that they are all incorrect, but we have certain authoritative statements which have been made by the German Chancellor, speaking at Berlin, and by M. Sazonoff, the Russian Minister for Foreign Affairs, speaking at St. Petersburg; and from those utterances I think we are justified in believing, first, that when the German railway from Bagdad reaches Khanikin, on the frontier of Persia, the Russians are prepared to build a railway from Tehran or its neighbourhood down to the frontier to meet it; and secondly, that the Russians have withdrawn the opposition which at one time was strong on their part to the construction of the Bagdad Railway as a whole—both of which, of course, are great advantages to Germany; and, on the other hand, that some recognition has been given by Germany to Russian political, commercial, and strategical predominance in the northern part of Persia, which, of course, would be an equal gain to Russia. It would be idle to deny that this version of affairs, if it be true, has excited some apprehension, and that there are many who have feared that there might be some breach impending in that *entente* between Russia and ourselves which was the direct object of the Anglo-Russian agreement concluded by noble Lords opposite a few years ago, and for which, as many of us think, they paid a very high price in that agreement, but to which, at any rate, nobody can say that this country has not loyally and unflinchingly adhered.

It would be a great relief to us if His Majesty's Government could say, without trenching on forbidden ground, that all that has been done has been done with their full knowledge and sympathy, that our undertaking with Russia has not been in any degree weakened, and that our interests have not suffered and are not likely to suffer. I should be the last to argue that the broad lines of international policy or the grouping of allied Powers are incompatible with friendly arrangements between members of the different groups on subjects that more specially concern themselves. Every such agreement may be, and ought to be, a link in the international chain of peace, but of course it ought to be subject to the condition that these minor accommodations are carried out with perfect loyalty to the larger issues that are concerned, as I doubt not has been the case in the present instance, and that private interests are never allowed to get the better of public obligations. I do not venture to say more on the point, and I hope that I have not said too much.

There is only one other subject to which I desire to allude, and it is this. In the course of the discussion on all these questions there has again emerged, after long

oblivion, the idea of a great trans-Persian line, running either from Trebizond, in the corner of the Black Sea, via Tabreez to Tehran, or from the Caspian Sea to Tehran, and then continuing via Yezd and Kerman in a south-easterly direction towards the eastern frontier. Whenever such a scheme is proposed it fills the imagination of everybody who regards it, because it is part of that great scheme of inter-continental communication which, in the belief of all of us, will some day be realised. The noble Viscount will agree with me that it is not the shortest line. The shortest line is through Afghanistan, where only a gap of a few hundred miles separates the Russian terminus from our own. He will also agree with me that, owing to circumstances, into which I need not enter, such a line is outside the sphere of practical politics, at all events at present. Nor do I need to enter into an examination of the features of the trans-Persian line. Many important issues are involved in that examination. I am aware that experts entertain most widely different opinions on the subject. I mention it only because I have seen it stated that the Russian Government have intimated their willingness to support the scheme if it is carried out without injuring Russian commercial interests and without imposing fresh burdens upon the Russian Treasury. The second of these "ifs" is a very big "if." I have never been able myself to imagine where the funds are going to come from for these great trans-continental schemes in Persia and elsewhere. Obviously, no company will find the money unless it has a guarantee by some Government. There are only three Governments concerned. The first is the Government of Persia, which is unhappily not in a position to give a guarantee to anybody. The second is the Government of Russia, whose attitude I have already described. The third is the Government of this country, and I confess I do not see the Chancellor of the Exchequer coming down to the House of Commons and addressing a request to Parliament to guarantee Government funds for this line. And then, another condition has to be satisfied before such an idea is entertained, and that is that there is a sound and stable Government in the country through which the line runs. I will not pursue the subject. I have merely mentioned it to ask the noble Viscount whether the idea is at all seriously entertained, and whether we ought to regard it as occupying any place in the field of international politics at the present time.

My motion ends with a request for papers. Really I ought to thank the noble Viscount for having so far anticipated me as to overwhelm us with these admirable and useful maps, but when I talked about papers I meant something more than maps. The fact is that the Governments in recent years have been rather parsimonious in their distribution of papers on Asiatic matters. I believe that as regards Persia the last Blue Book we have is Persia No. 1, 1910, which carries events up to the end of 1909. But about the Persian Gulf, so far as I know, we have had nothing at all—nothing about gun-running or the proceedings at Brussels to which I have referred. As regards the Bagdad Railway, we have never had anything. The convention itself has never been laid before Parliament, and if you want to get it you have to go either to an obsolete copy of the "Times" or else to the book of some intrepid traveller who has secured it in his journeys and published it as an appendix to his work. When you contrast this dearth of information with the plethora of official Blue Books which used to be showered upon the country in the days when Russia in Central Asia and Afghanistan were the subjects of popular discussion, the contrast is amazing. I really do not know whether it is due to the fact that modern Governments are becoming more indifferent to Parliament or whether Parliament is becoming more indifferent to its own interests. The fact remains that we have had no papers on this subject, and I respectfully ask the noble Viscount to present us with all the papers that he reasonably can. I have wandered over a wide field in the remarks I have had the honour of addressing to your Lordships. I am grateful for the attention you have been kind enough to give to me, and I hope I may receive, as I have no doubt I shall, a satisfactory reply from the noble Viscount on behalf of His Majesty's Government.

Moved—that an humble address be presented to His Majesty for papers in relation to the construction of railways and to international agreements in Persia, the Persian Gulf, and Turkey in Asia.—(*Lord Curzon of Kedleston*.)

The Lord President of the Council (Viscount Morley of Blackburn).—My Lords, I will begin by saying how cordially I concur with the noble Lord in regretting the absence of Lord Lansdowne. I regret it on all grounds, but more particularly because Lord Lansdowne is specially conversant with all the particulars of the origin of our dealings in the important matter of the Bagdad Railway. The noble Lord referred very kindly, and not more kindly than justly, to the authority and lucidity with which my noble friend Lord Crewe discusses foreign affairs in this House, and nobody could more deplore his absence to-day than myself.

The noble Lord has taken us on to as important ground as, I think, any member of your Lordships' House could undertake. People do not yet recognise how enormous are the issues involved, how enormous is the area involved in the questions which the noble Lord has raised, and nobody in this House has a better right to lead discussions upon these questions than the noble Lord. He has been most part of his life, I should think, closely interested in the whole group of questions that he has dealt with this afternoon, and his knowledge to within six years ago is first-hand and personal knowledge. I do not for a moment dispute his claim that he has discussed all these questions, large and important as they are, in a perfectly honest and legitimate and sincere spirit. We have no possible ground for complaint. I think he was a little ungrateful in his irony about the maps, because really when he last spoke on these issues in 1908 he said how he regretted that there were no maps, and that without maps the discussion was unintelligible. I therefore thought that in providing maps I was meeting the noble Lord's views.

The noble Lord mentioned at the end of his speech what are called the Potsdam negotiations, if that is the right word, between Russia and Germany. Nobody knows better than the noble Lord that for us at this stage to discuss negotiations between two sovereign independent Powers before those negotiations, so far as we know, have come to a definite conclusion would be to take up a position which no official or responsible person, either in this House or the country, has a right to take. Therefore I have nothing to say about what are called the Potsdam negotiations.

With regard to the subject of trans-Persian railways, any ideas or designs on that subject are far too immature for any sensible or useful or instructive observations to be made upon them. I for one personally should feel very much inclined to follow the noble Lord in his doubts, or more than doubts, as to the workableness of those particular designs. I will follow the noble Lord through the three heads to which he asked our attention. The first is, of course, Persia. In all that he said as to the present Regent in Persia His Majesty's Government entirely concur. It is upon his character, in truth, that we lean, and upon which we rest our hopes. His recent exhortations in the Medjliss, his account of what ought to be the public duty of that important body, the line he has taken, and his insistence upon their giving his Minister a stable majority—all those show a man of character, to whose policy we can look for nothing but satisfactory results. The Minister whom he has chosen shares those moderate and practical views, and we may hope, and we do hope, with such confidence as is possible in a country whose condition has been so confused, that from that there may emerge a sufficiently stable condition of affairs.

Then I turn to the question of the southern roads. It is no wonder that the noble Lord called our attention to the condition of those roads, but I believe that if he had been able to follow events as closely as a member of the Government has to do, he would have felt that his picture of the state of things, unsatisfactory as it is, is rather exaggerated.

Lord Curzon of Kedleston.—I limited it to the last six months of 1910, and my information was obtained from official sources.

Viscount Morley of Blackburn.—I know; but to say that the state of things was little short of anarchy is certainly using a phrase far in excess of the facts. The noble Lord has told your Lordships what happened, and I am very glad that he has, as I would have expected, dissociated himself from those who impute that the action we took in October last year was due to a sinister or nefarious design on the independence or integrity of Persia. Of course, I should have expected the noble Lord to keep clear of innuendos of that sort. Though there was not anarchy, the state of things had become very bad. In November the Russian consul-general at Bushire was attacked while on his way to his post, and the British consul was also attacked, and on both occasions lives were lost. In May last a representation was made to the Persian Government, but no steps were taken by them, and so it was that in October the Persian Government were informed that if they failed to restore something like order on these roads His Majesty's Government would be compelled to insist on the organisation of a local force for the purpose, to be commanded by officers from the Indian Army, and the expense to be defrayed by a 10 per cent. surcharge on certain duties. After further exchange of notes the Persian Government in December detailed the measures which they proposed to take. We most cheerfully and willingly, and with perfect confidence in their good faith, agreed to give them another opportunity of fulfilling the obligations which we had imposed upon them, and, in the noble Lord's own phrase, our admonition to the Persian Government

was meant to provide them with a stimulus. The noble Lord asks as to the present situation on the southern roads. It was impossible to say, in view of the social conditions that obtained there, that any immediate restoration to order was possible, but it is the fact that the position there is greatly improved; whether that is due, as some say, to the severity of the weather or other causes we do not know, but we are watching with patience and with hope.

Then the noble Lord made reference to Persian railways, and alluded to the rescript issued by the Shah some years ago. This is a very important document, and when the time comes for practically discussing railway construction in Persia, it will be a very important deliverance. The Shah, in this autograph letter, says:—

"Convey these commands to his Excellency the British Minister Plenipotentiary. Even give him this very autograph in order that he may keep it and be satisfied that our former promise with regard to the priority of the British Government over others in the construction of a southern railway holds good; and certainly, whenever railway concessions in the north, &c., are given to others immediately a concession for a railway from Tehran to Shuster, or such a one, will be given to the English company; and, of course, then the clauses and conditions will also be examined, in order that it be to our advantage and interest for the benefit of commerce of both parties; and positively no southern railway without consultation with the British Government will be granted to any foreign country."

These explicit assurances were once more confirmed in the year 1900.

His Majesty's Government cannot conceal from themselves that the question of railway construction in Persia may involve important strategical considerations to which they cannot remain indifferent, but provided that these and obvious commercial considerations can be satisfied by an adequate British participation in any southern railway schemes which may be adopted by the Persian Government, then His Majesty's Government would not construe their preferential rights in any narrow or exclusive spirit.

I turn to the Persian Gulf, which the noble Lord knows a great deal about from personal observation. We cannot realise our services in the Gulf too fully, and there is no harm in reciting them again and again. If by any mischance in negotiations our position in the Persian Gulf is challenged, this is the answer. That position has been described as unique by an eloquent author, who proceeds to say—

"Although Great Britain has not sought territorial acquisitions in those regions, she has for generations borne burdens there which no other nation has ever undertaken anywhere except in the capacity of Sovereign; she has had duty thrust upon her without dominion; she has kept the peace amongst people who are not her subjects; has patrolled, during upwards of two centuries, waters over which she has enjoyed no formal lordship; has kept, in strange ports, an open door through which the traders of every nation might have as free access to distant markets as her own. If Great Britain has become, in any sense, the arbiter and guardian of the Gulf, it has not been through a restless ambition urging her on to the control of the waste places of the earth, but in obedience to the calls that have been made upon her in the past to enforce peace between warring tribes, to give a free course to trade, to hold back the arm of the marauder and oppressor; to stand between the slave-dealer and his victim."

That is our charter. It is a true picture of our historical position. Indeed, it is owing to British enterprise and the expenditure of British life and treasure that the Persian Gulf at this moment is open to the navigation of the world, and to this cause alone it may be said that the sea-borne trade of Mesopotamia owes its very existence. Sir Edward Grey has said in the House of Commons, and I hope it is perfectly understood, that we adhere to the position taken up, and expressed, I think, in this House by Lord Lansdowne in 1903. That at all events ought to be satisfactory to the noble Lord.

The noble Lord next referred to Muscat. Muscat, as your Lordships know, is at the mouth of the Gulf to the west, and is the centre of the arms traffic, the mischievous effects of which to us in India and to people in the Gulf are well known to your Lordships. The noble Lord, after all, put his finger upon the real crux of the

situation, though I am not quite sure that he appreciated how great the difficulty is. I think he is in error when he says that it is the French who are the manufacturers of the arms. The French, I think, distribute them; but the quantity of French arms imported is less than that imported by at least three other nations, including one with which we are particularly well acquainted. The noble Lord made a powerful appeal to France to abandon reliance upon the treaties with the Sultan of Muscat. He made a passionate appeal to France to look at this thing in the light of those great ideas and splendid moral impulses which have enabled France for generations to play so momentous a part in the civilisation of the western world.

Every word of the noble Lord's appeal will, I am sure, touch the French, but it must be remembered that France has treaty rights. Can we expect a country to surrender treaty rights affecting some portion of her own community without getting something in return? My knowledge of international history does not provide me with any case in our immediate times where there has been such a surrender without a *quid pro quo*. Upon that I will not say more than that we are engaged in pressing upon the attention of the French Government the difficulties which they create for us and for others in the Gulf by maintaining the practices which are permitted under their treaty rights. I am not sure that the noble Lord's figures were perfectly accurate. Owing to the dispatch of the squadron upon which he commented, the arms traffic of Muscat, which doubled between 1906 and 1908, has fallen in value. Since we set on foot a naval blockade, the value of arms imported into Muscat has fallen from 237,000*l.* in 1908 to 103,000*l.* in 1909, and it will be found to have fallen still further in 1910. The value of the French arms is less than one-tenth of that total. We hope, however, that the French Government will be impressed by the statements which are before them and that good results will follow. As to the question raised by the noble Lord whether the precise type of war-ship now employed is the right machinery for putting down this traffic, I can express no opinion, but I dare say it is worth considering.

One other word with regard to the Gulf. I certainly quarrel with the use of the word "supine." The noble Lord is quite mistaken if he thinks we have been supine with regard to the arms traffic. The noble Lord referred to the incident at Debai. I confess that, considering the great size of the other questions raised by him, this was rather diminutive. The facts are these. The Arabs fired on a party who went to search for arms—a party from one of His Majesty's ships. A general engagement ensued, in which we had five killed and nine wounded, and the enemy thirty-seven wounded. The sheikh, though invited to meet the British commander and assist in the search, did not reply, and only appeared after trouble had begun. He then took measures to restore quiet. The British resident and the admiral at once proceeded to Debai and interviewed the sheikh. His attitude being unsatisfactory, a written ultimatum was presented to him, and forty-eight hours were given him in which to comply with certain terms. He accepted those terms on the 30th December, and on the 23rd January the Government of India reported that the conditions had been carried out. I do not see what place a trivial incident of that kind has in so large a scheme of presentation of Gulf policy as the noble Lord has given us.

**Lord Curzon of Kedleston*.—It really had a place. The incident at Debai was trivial in itself, but I was concerned to ask whether this rupture of the treaties prohibiting the importation of arms was an isolated instance at Debai, or whether there was any reason to think that it extended to other parts of the coast, because if so the matter would be serious.

**Viscount Morley of Blackburn*.—I quite agree that in that case it would be serious. I cannot say with absolute certainty that it is an isolated case, but there was nothing at all, or was not when I left the India Office, to lead us to suppose that there was anything like a general return to piratical and marauding ways in that region.

I come now to the Bagdad Railway. The noble Lord has presented quite truly and forcibly to the House all the elements which make what is called the question of the Bagdad Railway a question of vital importance. I agree with him in extending the view which he invited the House to take of all the operations covered by the name of the Bagdad Railway to the whole area of which the Bagdad Railway when it is made will no doubt be a central artery. There I entirely agree with the noble Lord; but I do not agree with him in his history of our dealings with this question. And let me say, to begin with, that it is no novelty that German interests should desire to find their way down towards the Gulf and Mesopotamia. I dare say the noble Lord knows that General von Moltke was at Biredjik with Turkish forces in 1839, and was

then fascinated with the idea of what could be done on the banks of the Euphrates. That circumstance and the fact that Moltke wrote as he did has exercised a curious effect on the German imagination ever since. At any rate since 1873 the Germans have taken a practical and an increasing part in the construction of railways in Asiatic Turkey. In 1873 the first section of what is now known as the Anatolian Railway was built by a German engineer, von Plessel, to the order of the Turkish Government, and in 1888 it was transferred to a German company. Subsequently—in 1896—that line was extended to Konia. Three years later a concession was granted to a German syndicate for the extension of the line to Bagdad and the Persian Gulf, and after undergoing various modifications this concession for the Bagdad Railway assumed its final shape in 1903.

The noble Lord rather got on to dangerous ground if he is anxious to avoid anything in the nature of a controversy, as I am sure he is, when he referred to the action taken by His Majesty's Government in 1903, when Lord Lansdowne was Foreign Secretary. I think he forgets that whatever extenuation there may be for, as I think, the misjudgment that was made in 1903 when the British Government refused participation in the Bagdad Railway, at all events that action, however you may explain or extenuate it, has not been justified by events. I well remember the activity of certain organs of public opinion at that date, but I do not believe any of those who inspired, as I think, that rather unhappy decision would say to-day that it would not have been far better as events have proved if we had in 1903 accepted, with certain modifications, what we then had a chance of, participation in the Bagdad Railway. I do not say the noble Lord endeavoured to blame us for the difficulties of the position in which any British Government must now find itself in connection with this project. Even at the date when the Bagdad Railway concession was granted the Germans had already secured a certain position, as they were working about 650 miles of railway in Anatolia before they began to get concessions for this larger and more prolonged operation. The noble Lord said the decision at that date on our part was inevitable. I never could understand that. But let it pass. I would not have mentioned it but for the fact that the noble Lord endeavoured to vindicate Mr. Balfour's Government from a charge which certainly has not been made here. It was this which made it necessary for me to point out that the decision of that day has not been justified by events.

What is the present position? The position as we found it in December 1905, when we assumed office, was that a concession for the Bagdad Railway to run from Konia to Bussorah, and then to some undetermined point on the Gulf, had been granted years before, and that the concession was not merely for the main line, but also for many branch lines, of which, perhaps, the most important is the line on which the noble Lord expatiated, from Bagdad to Khanikin on the Turkish frontier. The Germans were in the situation, it is no use denying it, the Germans were in the position of *beati possidentes*; they held under an international agreement for a number of years. A great deal of nonsense is talked about the possible danger—I do not refer to the ulterior possibilities—to British interests which may be involved some day or other when this railway is completed, and there have been whimsical apprehensions expressed. One is that it will constitute a standing menace to Egypt—the noble Lord did not say that—because the argument is that, by a junction with the Syrian Railway, which is French, with the Hedjaz line, which is Turkish, there would be established uninterrupted communication between the Bosphorus and Western Arabia. That would hardly be an argument to Turkey for abandoning railway construction on her own soil, whereas it overlooks the fact that the Sinai Peninsula intervenes. Another writer has lamented the consequences of the extension of the railway in Mesopotamia, where long-established British commercial interests are so important and still dominant, and a doleful picture was drawn of the fate awaiting the large trade in British and Indian goods, estimated at over a million sterling in value, which finds its way by the Tigris to Bagdad and passes by caravan to Western Persia. The Bagdad Railway may or may not exercise a prejudicial influence on British trade, but the moment to decide that question was the earlier moment before the concession was granted, not after. You cannot get over this plain cardinal fact, that this railway is made on Turkish territory by virtue of an instrument granted by the Turkish Government. You cannot get over that fact, that is what you start from. I see articles in newspapers every day in which it is assumed that we have the right there to do what we please; that is not so; it is not our soil, it is Turkish soil, and the Germans alone are there because the Turkish Government have given them the right to be there. Let us, therefore, start with a view of the situation from that plain and simple fact.

The noble Lord has referred to the "*cahier des charges*," which I propose to lay before Parliament. It is really a schedule, and it is said it might be worked to our disadvantage. Remarks made by Mr. Balfour in another place pointed in this direction. That, again, is attached to the convention of 1903, and it does not appear *prima facie* that the Ottoman Government or the railway company contemplate the manipulation of rates against British goods either on the main line or on the branch to Khanikin. Be that as it may, His Majesty's Government realise as fully as any member of the House can desire, that British trade interests in these regions are of real and enormous importance. I go so far with the noble Lord. We believe that they cannot be effectually safeguarded by what I may call the plastic stipulations of a "*cahier des charges*." His Majesty's Government cannot legitimately object to the construction of any railways on Turkish territory, but they cannot directly or indirectly facilitate the construction of those railways if their completion is to alter the existing position in Mesopotamia to the detriment of British interests and to the exclusion of British participation on reasonable terms. It is undeniable that His Majesty's Government are in principle favourable to the construction of railways in Turkey; they appreciate how important this construction is, among other purposes, for the consolidation of the new régime, and the new régime in Constantinople we cordially wish will continue and prosper. If, therefore, we could look forward to a settlement on terms acceptable to this country of the railway question in Mesopotamia, then not only would we use our influence with the Sheikh of Koweit to permit, under certain conditions, the construction of a terminus at the excellent harbour he possesses, but the principal objection now entertained to an increase in the Turkish customs duties, which are, of course, the instrument by which we have a hold upon these affairs, would at once fall to the ground.

Now I come to the various announcements to which the noble Lord referred. Under the 1903 concession the Bagdad Railway Company had acquired a right to build a line from Konia to some point on the Persian Gulf to be determined hereafter; and under article 12 of the 1903 convention the company acquired certain preferential rights in regard to the construction of branches to the Mediterranean on the coast of Syria. Under arrangements now arrived at in Constantinople we understand that the company have renounced their right to the section of the Bagdad Railway between Bagdad and the Persian Gulf, and have renounced their right to construct a port at Bussorah, on condition that they receive a certain share in any new company—which presumably, would be a Turkish company—formed to carry out the portion of the 1903 concession which they (the Bagdad Railway) have now renounced. On the other hand, in fulfilment of the terms of the 1903 concession the Bagdad company have come to an arrangement whereby, first, a branch line is to be built from Osmanieh on the main line to Alexandretta on the gulf of that name, and have provided that certain revenues are allocated to them in accordance with article 35 of the original concession of 1903 for the continuance of their main line from El Helif to Bagdad.

The upshot of this arrangement is that within certain limitations the Turkish Government have regained their liberty of action in regard to the section of the Bagdad Railway between Bagdad and the Persian Gulf. Those proposals which they have made to His Majesty's Government are in a very early stage; but we wish it to be clearly understood that His Majesty's Government sincerely desire a settlement that will remove all anxiety as to the important British trade interests concerned, and at the same time dissipate the mists of suspicion and distrust that have so often obscured this question; a settlement, in short, that will remove all apprehension that the Bagdad Railway and its terminus is likely to create diplomatic friction between any of the parties interested. We feel that any arrangement must be one to which Germany must be a consenting party, as the original concession-holders were Germans. That is the present position as affairs stand at the present moment. As noble Lords will understand, we cannot, without prejudice to negotiations which will naturally follow these proposals, make any more detailed statement. We feel convinced in regard to present arrangements that there is a marked step in a favourable direction, promising development of these various and complicated issues. In further negotiations His Majesty's Government will be animated by the desire to remove all possible cause for international friction, and, your Lordships may be very sure, to uphold all the important interests, both present and future, of this country.

I have detained the House so long that if the noble Lord will excuse me I will not follow him into the minor points he has raised. I for one listened with pleasure to the expression of his own large, well-supported views on the issues of this new chapter opening in the relations between Europe and Asia. Here is no Alexander

going from Europe to Asia—it is a very different thing you have to think of; here are great rival international interests, and a great movement more difficult to adjust in all its elements. It is not merely military; the military and strategic aspects are among a whole congeries of elements that go towards the complication of questions of enormous importance both to the political and commercial future of this country, and therefore to the world.

As to the motion for papers, I will undertake to lay before the House further correspondence on Persia, the text of the Bagdad Railway Convention of 1903, and the supplementary convention of 1908, the "*cahier des charges*," and the loan contracts. The noble Lord asked for the Brussels Convention, and I will see whether it can be given.

Lord Lamington.—My Lords, no one can deny how vast, delicate, and intricate are the interests involved in the various questions that have been brought before your Lordships' House by Lord Curzon to-day. On the 7th February last, I put a question to the noble Viscount relative to the Potsdam interview. He then said that he was unable to give any information, but I should have thought that by this time it might have been possible to throw some light on the negotiations which took place there.

In opening this debate Lord Curzon drew a picture of the great disorder that has taken place in the southern portion of Persia. On that I rather agree with the noble Viscount opposite that Lord Curzon over-coloured the picture. It must be remembered that in the five months subsequent to last March the trade of the southern ports increased by 86 per cent. as a whole, and that even at Bushire there was a 22 per cent. increase during those five months, and that is the part of the country most liable to interruption owing to brigandage and general misgovernment. At the present time when any ordinary robbery takes place it is at once put down to the Government. An instance was related to me of the agent of a firm who had embezzled money. A little plan was concocted, and it was represented that the caravan had been robbed, and this again was laid to the charge of the Government. It may be argued that if the country is so weakly governed that these accusations can be made, therefore there ought to be some stronger hand to guide their affairs. But how has it come about that there has been this great misgovernment and disorder in Persia?

The noble Viscount took great credit for the carrying out of the Anglo-Russian convention, which distinctly stated in the preamble that the integrity of Persia was to be preserved. But how can you preserve the independence of a country when it has in certain portions been largely garrisoned by foreign troops? Time after time with an empty exchequer Persia has attempted to get funds for carrying on the administration of the country, but has been thwarted in her efforts. The Nationalist Government have not been allowed a free hand to put their affairs on a proper basis. They could not do so without having funds at their command, and these funds have been repeatedly denied them. We now understand that the Russian garrison at Kazvin is to be removed, or possibly only reduced. I understand that about seventy men are still being kept there. I would like to know whether the other garrisons are being removed. Again, the Persian Government in their struggling condition have had their Minister of Finance assassinated, and his murderers were given protection by the Russian consulate or the Russian legation and were removed for trial to Russia. We would like to know what has been done with those people. An attempt was made to assassinate the Governor of Ispahan, and his nephew was killed in his efforts to protect him. There, again, the murderers were taken charge of by the Russian Government.

I quote these instances not to make any case against Russia, but to show what frightful odds the Persian Government have had to contend with. How can a Government control their subjects when they are denied the means by which alone good government can be carried on? It is rather hard to accuse the new-born Persian Government of having failed to preserve order in that very difficult country of access in Southern Persia when they have not been given a free hand. I believe honestly that they have done their best, and that if they had only been given a greater command of funds they would have been able to preserve order. It will be remembered that we stated that if we had to take charge of the police force on the Persian Gulf we should demand a surtax of 10 per cent. on the customs duties. I cannot see why the Persian Government themselves should not have been allowed to raise that 10 per cent. and administer the country properly. Why should we be so suspicious of their ability to administer properly funds entrusted to them? It is this which makes it so difficult for the Persian Government to carry on their affairs in a proper manner.

I understand from other sources that there is possibly a brighter day dawning for the Persian Government, and that there is a possibility now of their being allowed to

obtain loans by which to carry on their administration. I believe they are going to appoint five American advisers to superintend their financial affairs. All these are good auguries for the future of the country, and under the guidance of the Regent I believe there is a possibility of the salvation of Persia. If only they would sink their own petty differences and act up to the doctrines of their own Islamic creed, I do believe there would be an independent Persia established which would be the best possible bulwark against any friction between Russia and ourselves. On the point of gun-running in the Persian Gulf, Lord Curzon made a fine and dignified appeal to the French nation, but the noble Viscount opposite rather let him down when he asked what instance there was of a country ever giving up an advantage without a *quid pro quo*.

Viscount Morley of Blackburn.—Giving up treaty rights.

Lord Lamington.—But if treaty rights are an infringement of the ordinary laws of civilisation, surely it is not too much to expect one of the foremost civilised countries to co-operate in putting an end to this traffic. The noble Lord referred to Muscat. He might have referred also to Jibuti, which, I understand, is the very centre of this traffic in the distribution of arms. Time after time we have attempted to negotiate with the French nation on this matter, and I should have thought that this was a very opportune occasion, the *entente cordiale* being so firmly established, when we might represent to them strongly that the whole of this gun-running traffic should, if possible, be put an end to. Only last week there was an attack on the coast between an armed dhow of our own and a dhow engaged in running arms. That dhow came from Jibuti. There are no treaty rights there, and there is no reason why, with the assistance of the French nation, an end could not be put to the whole of this trade.

The statement which the noble Viscount made with regard to the Bagdad Railway I regard as very satisfactory. Our chief concern is with the section from Bagdad to the Gulf; and if the German company have now got the branch down to Alexandretta, I should have thought there was every occasion for our now establishing good relations with the Germans in regard to this matter. Our one concern is, as I have said, in respect of the last section from Bagdad to the Gulf. One would like to know the views of His Majesty's Government on this matter, whether they consider that that section should ever be built, or whether our trade would not be benefited at a far less cost by simply improving the navigation of the Tigris. That, at all events for many years to come, would carry all the trade, represented by 1,000,000*l.* per annum in value, that would go by that route. This seems a favourable opportunity not only to extend friendship with Russia, but also to put our own relations with Germany on a good footing in this matter. If we have a proper share of that last section to the Gulf, I do not think we need ask for any more, except that the extension from Bagdad to Khanikin should be safeguarded so that there are no unfavourable rates by which our trade could be injured. I hope that this debate will put the whole of the questions that have been raised by the noble Lord on a clearer and better footing, and that we shall thereby establish better relations in that part of the world.

The Marquess of Salisbury.—My Lords, I do not think it would be quite fitting that we should allow the very important statement which the noble Viscount has made to your Lordships to pass without any comment from those who formed part of the late Government in respect to what they had to do in relation to the matters upon which the noble Viscount dwelt. I speak with a full sense of the great difficulty of dealing with these delicate subjects of foreign policy in public debate, and perhaps it would not have been necessary for me to say a word at all upon the subject but for the fact that the noble Viscount appeared to me to be desirous of defending the very important step in policy which His Majesty's Government are evidently undertaking by throwing a certain responsibility for the situation upon the predecessors of the present Government. There was a sort of covered attack by the noble Viscount upon the attitude which we adopted in respect to the Bagdad—

Viscount Morley of Blackburn.—It was raised by the noble Lord or I should not have mentioned it.

The Marquess of Salisbury.—I do not agree with the noble Viscount. My noble friend, Lord Curzon, spoke, as I thought, in very proper terms, of the attitude which we had adopted in respect of the Bagdad Railway in former times. There was no call for the noble Viscount to have brought our conduct into question, unless it be necessary in order to defend his own policy that he should reflect adversely upon ours. I do not desire to treat this subject in any aggressive spirit, but I think it necessary to place upon record what, in fact, the late Government did.

Now, what did the late Government do? The noble Viscount, not quite correctly, spoke as if we had refused to come to an arrangement about the Bagdad Railway.

That was not an absolutely correct statement of the case, because as a matter of fact the persons who refused to come to an arrangement were the members of the financial groups concerned. Undoubtedly they were in close relations with the then Government all through the negotiations, and the matter we had to decide was whether British interests were properly treated in the arrangements that were proposed on behalf of the German group. That was the question. It was stated by my noble friend, Lord Lansdowne, at the time, and these are the words he used:—

“What was under our consideration was the possibility of obtaining the substitution for this purely German system of a line of an international character, constructed under guarantees which would have secured permanently its international character, and which would have secured for the commerce of all nations absolutely free and equal treatment from sea to sea.”

The noble Marquess went on to say:—

“It was also part of the proposals which were ventilated that this country should be given full equality with any other Power in respect of the construction of the line, and in respect of its maintenance and control after it had been constructed.”

That was the ideal which His Majesty's then Government were favourable to. That was the proposal which was not offered to us, and therefore it was not possible for the then Government to support and endorse the arrangement which was made.

The noble Viscount thinks that we were wrong in the decision we came to. That is a matter only of historical interest. The noble Viscount may be right, and we may have been wrong. All I say is that we acted according to the best of our ability, and according to what, in our judgment, were the interests of our country. I gather that the noble Viscount and his colleagues do not view the matter from precisely the same point of view. I touch on this subject with great diffidence, but certainly the sort of outline which the noble Viscount gave of the proposals which are under the consideration of the Government did not seem to place our country on a precisely equal footing with that of other countries. He divided, very properly, the Bagdad Railway into two divisions—the Gulf section and the rest. I think it is possible that the sort of arrangement which His Majesty's Government are contemplating is that the greater part of the Bagdad Railway should be made without any positive position being accorded to this country in respect of it, but that in respect of the Gulf section we should hold an important position. Until we have an opportunity of seeing precisely what the terms are it would be most improper to in any way condemn them; but I would ask His Majesty's Government to remember that they do hold a very strong position in this matter—namely the very strong position to which the Secretary of State for Foreign Affairs in another place has called the attention of the country. They hold the position and the power given to them by the fact that they can refuse or admit the raising of the necessary revenue by the Turkish Government which is essential for the project to be carried out at all. They hold that power as trustees for the country, and I earnestly hope that they will not make terms, or allow terms to be made, adverse to this country whilst they have the power to prevent it. If they do, upon them must rest the responsibility.

Lord Curzon of Kedleston.—My Lords, there are only one or two points in the speech of the noble Viscount to which I may, perhaps, be allowed for one moment to refer. With the general tone and tenor of his speech I have nothing to express except gratification. I agree with him that a new chapter in the history of the East is likely to be opened if events follow the course which he indicated; and if the opening phases of that chapter are pursued in that tone of gravity and of friendly regard for the interests of all the Powers concerned which characterised his speech to-night, then I think we may hope that the solution will be a favourable one.

The points to which I desire for one moment to call attention are these. First, with regard to Persia. The noble Viscount read out *verbatim* the familiar assurance of the last Shah but one, Nasr-un-din, about concessions to Great Britain for railways in Southern Persia. I imagined that he was going on from that to say either that a concession for a British railway would be applied for, or that, if it was applied for, the project would receive the warm support of His Majesty's Government; but, on the contrary, the noble Viscount proceeded to make—and as it was read I am sure it was a very formal and authorised statement—a declaration to the effect that, provided, strategical and commercial considerations can be satisfied by an adequate British

participation in any railway schemes of the Persian Government in Southern Persia. His Majesty's Government would not construe their preferential rights in any exclusive spirit. I quite understand that position, but it is an apparent abandonment of the preferential rights which His Majesty's Government enjoy. It is not saying, as Sir Edward Grey rather suggested in the House of Commons, that if the Russians make a railway in Northern Persia we should respond by making an application in respect of Southern Persia. It only says that if the Persian Government make a railway in Southern Persia and that railway does not strategically interfere with our interests, we shall co-operate with them. I hope that will not be interpreted by anybody as in the slightest degree weakening the assurance given us by the Shah, or as disabling us in future from translating that pledge into action should occasion arise.

As to the Persian Gulf, I was glad to hear the noble Viscount adhere with so much emphasis to the statement made by Lord Lansdowne in May 1903. On the matter of the Muscat treaty, I agree with the observations made by the noble Lord behind me, Lord Lamington. I put this to the noble Viscount when he speaks about treaty rights—Does he really contend that the treaty rights which were contemplated when the Treaty of Muscat was effected cover or justify the sort of traffic which they are now held to extenuate? These are not treaty rights enjoyed by French subjects in the ordinary sense of the term. When I was in India they were treaty rights taken advantage of by two persons only: French merchants engaged in this traffic, who were protected by their country because they possessed important commercial interests in France. Are we to be told that in a case of that sort the French Government, as a matter of international practice, cannot give way without receiving territorial compensation in some other part of the world? I earnestly hope that they would be ashamed to ask for it; but, if they do ask for it, I hope His Majesty's Government will not be too generous in meeting them on the matter.

The noble Viscount dealt with the attitude of the late Government with regard to the Bagdad Railway in 1903. I will only say with regard to the new arrangement, the facts of which the noble Viscount put before us, that we shall look with great interest to see exactly what is the share in the new company from Bagdad to the Gulf which is to be claimed by the old German company. The German company affects to surrender its concession in return for the substantial advantages it gets at Alexandretta, but, nevertheless, it is to retain a share in whatever company is formed to construct the line from Bagdad to the Gulf. When the noble Viscount said that His Majesty's Government were prepared, if a solution were proposed satisfactory to this country, to use their influence with the Sheikh of Koweit for the provision of a suitable terminus for the railway at the port of Koweit, I do not think he was saying anything different from the position taken up by Lord Lansdowne in 1903. The Government at that time gave a somewhat similar assurance. I ask His Majesty's Government before they embark upon this project for the extension of the railway to the Gulf to satisfy themselves that the last section from Bussorah to the Gulf is wanted in the interests of anybody. Is it wanted in the interests of the Turkish Government? Is it wanted in the interests of British trade or of Indian trade? Let His Majesty's Government remember that this section will be an expansive one to construct. For a distance of nearly 100 miles it would cross a desert. Then you get down to Koweit itself. I know the harbour very well, and I know that a good deal of harbour work would be required before the place could be made ready for the accommodation of our ships, and therefore you have a very great outlay laid upon your new company there, every fresh outlay deepening the heavy financial obligations which the Turkish Government have been foolish enough to incur in regard to the earlier sections of the line. And how silly every one would look if, after the line was built, you found goods from India still being transferred into boats, still going up the river to Bussorah, and very likely on to Bagdad. I suggest the point to His Majesty's Government as one worthy of their consideration. After all, business has a good deal to say in these matters, and I merely warn the Government to look at them from a business point of view. I have now only to thank the noble Viscount for the papers which he has kindly promised to lay on the table of the House, and to withdraw my motion.

[11806]

No. 220.

Lord Grimthorpe to Sir Edward Grey.—(Received March 31.)

My dear Grey,

80, Portland Place, March 30, 1911.

I WRITE to inform you that I hear negotiations with the Government are proceeding satisfactorily at St. Petersburg. In case enquiries may be made from there about Mr. Williams, I think it well to let you know that he is not only the agent and representative of myself and the syndicate (which has been formed with a capital of 300,000L., to be called up as wanted), but is a principal, a partner, and a large shareholder in the business. He is an American, and is backed by powerful financial interests out there. Just before leaving Paris he negotiated a deal with some Paris bankers for building a railway in the west of America. I mention this as a Government always likes to deal with principals, and if he is thought to be only an agent it will seriously hamper him in the negotiations, and probably prevent their coming to any definite conclusion.

Yours sincerely,
GRIMTHORPE.

[11570]

No. 221.

Foreign Office to the Persian Transport Company.

Sir,

Foreign Office, March 31, 1911.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letter of the 23rd ultimo, relative to the question of the construction railways in Persia.

I am to inform you, in reply to the enquiry contained in the paragraph of that communication, that Sir E. Grey would deprecate an application to the Persian Government for a railway concession either by your company, or by anyone else at the present moment, but that he will not lose sight of the assurances conveyed to the company in previous letters from this Office with regard to this question.

I am, &c.
LOUIS MALLET.

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PART I.

EASTERN DEPARTMENT:

SECRET SERIES.

January to March 1911.